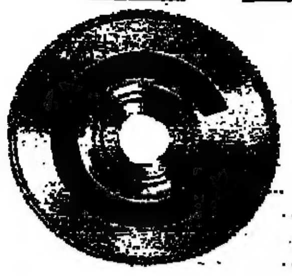
FINANCIAL TIMES



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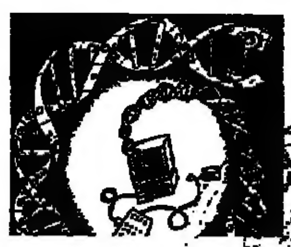

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TUESDAY AUGUST 6 1996

Dole proposes $548bn in tax cuts

Economic plan projects balanced budget by 2002

By Patti Waldmeir in Washington

Senator Bob Dole yesterday announced a $548bn tax-cutting plan aimed at boosting both economic growth in the US and his own flagging presidential election campaign.

The long-awaited economic programme, subject of intense debate within Mr Dole's Republican party, calls for a 15 per cent across-the-board cut in income tax rates, a halving of capital gains taxes to a maximum 14 per cent, and a $500-a-child tax credit. It also projects a balanced budget by 2002, but gives only sketchy details of how the tax cuts would be paid for.

Mr Dole's aides hope the plan will capture favourable headlines in a campaign so far dominated by President Bill Clinton, who holds a double-digit opinion poll lead. By choosing a simple and dramatic version of the various tax cuts debated by his advisers for weeks, aides hope Mr Dole will tap a popular Republican campaign theme.

However, Mr Dole has risked his career-long reputation for putting deficit reduction ahead of cutting taxes. He has long been a critic of supply-side economists who argue that tax cuts will largely pay for themselves by boosting growth and tax revenues.

His proposals project that increased growth will pay for $147bn of the $548bn cost of tax cuts over six years. The rest would be covered by the sale of unallocated broadcast frequencies along with spending reductions, though it would not involve further cuts in Medicare – health insurance for the elderly – social security or defence spending.

Mr Dole insisted his plan would not jeopardise budget balance: "Deficit reduction is in my blood and a balanced budget will be my legacy to the American people."

His aides stressed that growth would be boosted not only by income tax cuts, but also by the capital gains tax reductions, and a plan to reduce government regulation and overhaul the legal system. The plan also calls for passage of a balanced budget amend-

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Dole grasps nettle, Page 4
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EU poised to quit Mostar as Croats refuse to move

The European Union was last night on the brink of abandoning its two-year mission to re-unify the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Moslem rivals. International mediator Carl Bildt said the EU should not make any concessions: "We are not in the deadline extension business. It is a matter of principle and we cannot give in." Page 12; Editorial Comment, Page 11

UBS raises income by a third: Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SFr1.1bn ($920.3m) with a surge in profits from its trading and investment banking operations. Page 13; Lex, Page 12; World stocks, Page 32

Strong air traffic growth forecast: Passenger traffic on Europe's big airlines is expected to grow by 6.4 per cent a year for five years, marginally up on long-term forecasts, the Association of European Airlines said. Page 2

Turkish army expels Moslems: The strongly secular Turkish army expelled 13 soldiers for "reactionary activities", a euphemism for propagating Islamic fundamentalism in the ranks. Page 2

Pearson sells Westminster Press: Information, publishing and entertainment group Pearson announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m ($476m). Page 13; Details, Page 17; London stocks, Page 28

Austrians oppose Nato membership: A majority of Austrians is opposed to joining Nato, but thinks it will happen anyway, a poll in the Vienna daily Der Standard shows. Page 2

HSBC first-half profits climb: City analysts upgraded their forecasts for HSBC after the international banking group raised first-half profits by more than a third to £2.32bn ($3.6bn). Page 13; London stocks, Page 28

Malaysia threatens import controls

The Malaysian government warned that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit. Prime minister Mahathir Mohamad (left) said quotas and import permits might be introduced to curb imports of non-essential goods. His warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rate this year after enjoying rapid expansion. Page 12

Belfast march re-routed: The Royal Ulster Constabulary re-routed a Protestant Apprentice Boys parade through Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Londonderry march on the same day. Page 6

US Healthcare groups combine: Californian healthcare company PacifiCare Health Systems acquired FHP International, also of California, for $2.1bn to create the US's fifth largest healthcare organisation. Page 13; Details, Page 16

Burma dismisses US economic report: Burma's military junta described as politically motivated a US report that Burma's economic growth had been widely overstated. Page 3; Burma hits back at European beer companies, Page 5

Buenos Aires mayor walks into row: Fernándo de la Rúa of Argentina's opposition Radical party today becomes the first elected mayor of Buenos Aires amid arguments over how much autonomy the capital should have. Page 4

Death penalty sought for Chun: South Korean prosecutors asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition. Page 3

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,689.08	(+9.25)
NASDAQ Composite	1,128.76	(+3.84)
Europe and Far East		
CAC40	2,013.19	(-10.22)
DAX	2,520.93	(+12.28)
FT-SE 100	3,786.3	(+17.7)
Nikkei	21,977.47	(+137.06)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.183%
Long Bond	90½
Yield	6.749%

■ OTHER RATES

UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	96½	(97¾)
France: 10 yr OAT	106.66	(106.8)
Germany: 10 yr Bund	99.89	(99.77)
Japan: 10 yr JGB	98.0708	(97.9709)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.58	(19.6)

■ GOLD

New York: Comex		
(Dec)	$395.0	(393.2)
London:		
close	$388.2	(386.45)

■ DOLLAR

New York: lunchtime		
£	1.543	
DM	1.483	
FFr	5.03755	
SFr	1.2035	
Y	105.745	
London:		
£	1.5438	(1.5423)
DM	1.4813	(1.4779)
FFr	5.0385	(5.019)
SFr	1.202	(1.2035)
Y	106.83	(106.945)

■ STERLING

DM	2.2889	(2.2793)
Tokyo close:	Y 106.95	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils.650	Portugal (mland)	Es240	Turkey	L80,000
Germany	DM4.60	Lebanon	LL3,000			UAE	Dh12.00

Brussels plan to let debtors pay using euro

By Gillian Tett in London

The European Commission has backed away from a controversial plan to discourage foreign exchange speculation against the future single currency.

Its latest draft proposals for European monetary union have dropped the idea that financial contracts which challenged official Emu parities would be unenforceable.

This retreat has pleased investment bankers, who argued that legislation against currency speculation would be unworkable.

But the Commission, which plans to present its legal framework for Emu to governments this autumn, is now proposing other means to bolster the market credibility of the euro during the three-year transition period to a single currency after 1999, and to prevent speculation against it.

The Commission has suggested that anybody who owes a debt due between 1999 and 2002 should be able to repay it in either euro or the national currency. This could occur irrespective of the wishes of the lender, unless special legal provisions had been drawn up in advance.

This proposal marks an attempt to deal with the complexities of the transition period from 1999 until euro notes and coins are introduced in 2002.

During this period, the euro will exist as a unit of account. The national currencies will be considered to be denominations of this, set at "irrevocable" conversion rates – just as the US cent is considered a denomination of the dollar.

The European Monetary Institute, forerunner of the European central bank, had originally suggested that contracts which challenged these official conversion rates should be unenforceable. However the Commission, which is responsible for creating the legal framework, is now backing away from this idea.

As one lawyer involved in the discussions says: "The feeling is that something positive should uphold the conversion rates, rather than a negative threat."

Mr Colin Bamford, of the Financial Law Panel in London said the new proposal could reduce the incentive to gamble against the official conversion rates. "If someone feared losing money in one currency they could repay it in the other currency."

Banking groups point out that the Commission's suggestions might also have the quite separate effect of increasing pressure on the financial community to use the euro immediately after 1999.

This trend is likely to please French financial groups who want to switch to using the euro as quickly as possible.

One banking observer in Brussels said: "This could create more pressure for a rapid switch-over which perhaps not everyone is expecting."

US indifference to Emu, Page 2

Deutsche Bank, Germany's biggest bank, yesterday deplored US indifference towards European monetary union, saying most Americans thought of Emu as a big Australian bird.

The bank said such neglect could damage US interests and blamed US politicians, businessmen and economists for the lack of interest. Page 2

Benjamin Netanyahu visited the royal palace in Amman yesterday on his first official visit to Jordan as Israel's prime minister. Amid speculation about a fresh peace initiative, he said Israel had submitted a proposal to Syria to renew talks.
Report, Page 4 Picture: Reuter

Chinese to buy advanced military radars

By Bernard Gray in London

China is to buy airborne early warning radars from Britain, increasing the capacity of the Chinese navy and air force to patrol disputed areas such as the Taiwan Strait and the Spratly Islands in the South China Sea.

In a deal negotiated in the past two weeks, Racal, the British defence and electronics company, will supply between six and eight of its Searchwater surveillance radars to the Chinese navy. China is also negotiating with Israel Aircraft Industries to buy its Phalcon airborne early warning radar for the Chinese air force.

Racal yesterday refused to comment on the order, saying the company never discussed such contracts.

The radar purchases are part of an effort by China to strengthen its air force and navy, which are trailing behind those of Asian economies such as Korea and Taiwan. China's ageing MiG fighter fleet is no match for the French Mirage fighters which Taiwan has ordered, and China's ships lack long-range radar cover for patrols outside its coastal waters.

For 10 years China has been debating how to improve the

Continued on Page 12

Belgian curb on drink ads 'unfair to imported wines'

By Neil Buckley in Brussels

A Belgian law banning advertisements for drinks containing more than 10 per cent alcohol by volume is being challenged by the European Commission which says the law unfairly favours the Belgian national drink – beer.

The Commission says the ban means beer is effectively the only alcoholic drink that can be advertised, penalising wine, most of which is imported into Belgium and is only marginally stronger.

Belgium says the law is designed to protect health and prevent alcohol abuse by restricting promotion of stronger drinks, and denies it is a protectionist measure.

The country brews several hundred different beers, ranging from well-known brands such as Stella Artois, to rare, traditional varieties produced by Trappist monks. It produced 14.85m hectolitres of beer in 1994, and had the fifth-highest annual consumption per capita in Europe, at 106 litres, according to the the European brewers' association.

The EU executive says two examples of case law in the European Court rule that beer and wine should be viewed as competing products, subject to the same treatment under the law. It is preparing a case for the European Court to make sure wine has equal rights to be advertised.

Brussels is also challenging rules in another beer-loving country – the UK. It has ordered the UK to change the rules on "guest beers", draught beers brewed by one brewer sold in pubs tied by contract to a different brewer.

It says the rules exclude draught beers brewed by other member states because they specify that guest beers must be brewed by a fermentation process used only in the UK. The Commission argues that the restriction is a breach of EU law on free movement of goods and the UK has been told to change them within 40 working days, or face European Court action.

The rules, drawn up after a shake-up of the UK brewing sector in 1989 to promote traditional "real" ales, say guest beers must use a process known as "bottom fermentation".

The Commission says this discriminates against "top-fermented" lagers from other EU states, which may still come from small brewers using traditional methods. It suggests the UK adopts rules that stipulate guest beers must come from smaller breweries using traditional methods, but without barring top fermentation.

Brussels' move was met with anger yesterday in the UK. The Brewers and Licensed Retailers Association said the UK already had the most open beer market in the European Union, stocking and importing many more brands than other EU states.

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Deutsche Bank assails politicians and media for 'astounding' neglect

US indifference to Emu deplored

By Andrew Fisher in Frankfurt

Germany's biggest bank yesterday delivered a damning verdict on US indifference towards European monetary union, saying most Americans thought of Emu as a big Australian bird rather than an attempt to link currencies and economies in a way that could change history.

Deutsche Bank said that such neglect could damage US interests. It blamed US politicians, businessmen and economists for this lack of interest.

"Most Americans have not heard about Emu and those who have could not care less," wrote Mr Mieczyslaw Karczmar, the bank's New York-based economic adviser, in an article for Deutsche Bank Research's Emu Watch series. Because the US government paid scant attention to Emu, so did the media.

He said the level of indifference was "astounding" in view of US historical and cultural ties with Europe and the country's large trade and investments there. "This is really regrettable. Preoccupation with domestic affairs is not an excuse for neglecting developments in Europe; both the administration and Congress, and both political parties, share the blame for that neglect."

The paucity of interest in Emu had also afflicted US academic circles. "Even among the intellectual elite, Emu is more associated with the big bird roaming the Australian outback than with monetary union." Only a handful of academic economists had published research into the subject.

Arguing that the US had for long periods been a "reluctant internationalist", Mr Karczmar said the end of the cold war and the Soviet collapse made it less compelling for the US to preoccupy itself with Europe.

Moreover, President Bill Clinton came to power stressing domestic policy. His administration officially supported European monetary and political integration, but "there is not much substance behind this cliché".

Internationalism had served US interests better in the past than isolationism, Mr Karczmar said. "The US's indifferent attitude to the massive reorganisation and transformation of Europe is tantamount to abdicating the US international role, and this will eventually harm American interests."

US business had also shown little interest in Emu. Those big corporations that did follow Emu were broadly positive because it would simplify their financial operations and reduce costs.

But those with large exports and heavy investment in Europe were also worried that Emu would lead to a stronger dollar – as the D-Mark's strength was diluted within the single currency zone of the euro – thus diminishing their export competitiveness and overseas profits.

Mr Karczmar said the US Treasury was watching to see how the euro would challenge the dollar as an international currency and was also concerned about a possible dollar appreciation. As for the Federal Reserve, "it still views Emu in theoretical rather than practical terms".

Turkish generals aim at Islamists

By John Barham in Ankara

Turkey's army, a bulwark of secularism, has expelled 13 soldiers for "reactionary activities", a euphemism for propagating Islamic fundamentalism in the ranks.

The generals announced their decision at the weekend after their annual council, which decides on promotions as well as the dishonourable discharge of suspected anti-secularists. This year's meeting was all the more delicate now that Turkey has its first Islamist prime minister, Mr Necmettin Erbakan.

Before he was appointed premier in June army generals and retired officers had warned that they would not tolerate any deviation from the country's secularist principles, laid down 73 years ago by Kemal Atatürk. Mr Doğan Güreş, a former chief of staff and now an MP, had even hinted that the generals might intervene to protect Atatürk's heritage, saying: "Our army is the guardian of Turkey's unity. At a time when Turkey is in great danger, of course the army will do its duty."

Civilian secularists also fear Turkey's growing Islamist movement is infiltrating the army. Some military analysts claim that as many as a fifth of conscripts and junior officers may be Islamist sympathisers.

However, both sides are anxious to avoid a confrontation. All but one of the top officers even drank fruit juice at a formal dinner with Mr Erbakan rather than raki, the fiery national drink. The army has also expelled fewer Islamists this time round than in previous years – last December 50 soldiers were purged.

Mr Erbakan, who leads the Islamist Refah party, is treading carefully, aware that the army is one of the few national institutions to retain the almost unanimous respect of a people sickened by years of government corruption and incompetence.

He has ditched his incendiary anti-secular rhetoric and repeatedly deferred to the army. Last week, at the insistence of the military as well as Washington, he supported parliament's renewal of a controversial US-led air umbrella based in Turkey that flies missions over northern Iraq to protect Kurds against Baghdad.

Earlier, Mr Erbakan bowed to the wishes of "our heroic military" and approved a training agreement with Israel he had vowed to scrap. He has also promised to back military demands for increased spending on equipment.

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France bids adieu to one of the founders of the republic

President Chirac embraces the widow of Michel Debré, France's first prime minister under President Charles de Gaulle in 1958, at his funeral yesterday. Debré, who drafted the constitution for France's Fifth Republic, died on Friday aged 84. Reuter

Neutral Austrians deeply split over whether to join Nato

A poll shows a majority believe Vienna will sign up anyway

A majority of Austrians are opposed to joining Nato, but they think it will happen anyway, according to a poll in the Vienna daily Der Standard.

Underlining the uncertainty and confusion over the country's future security policy, the poll results published yesterday show that 60 per cent would vote against Nato membership in a referendum. However, 58 per cent believe Austria will eventually shed its policy of neutrality and join the western alliance.

The debate is coming to the fore in Austria as the European Union tries to forge a common foreign and security policy at the intergovernmental conference and as Nato prepares for enlargement to the east.

If, as some experts expect, Hungary, the Czech Republic and Slovenia join the alliance, Austria will be almost completely surrounded by Nato countries. Nato officials say they would like Austria to apply for membership, but do not want to interfere in the domestic debate.

The political changes in Europe have forced even supporters of neutrality to examine fresh options.

But Austria's coalition government of Social Democrats and conservatives is deeply split on the issue. The conservative People's Party, led by Mr Wolfgang Schüssel, the foreign minister, has long supported membership in the Western European Union (WEU), the defence arm of the EU designed to become the European pillar of Nato. The party also wants the government to consider Nato membership.

Chancellor Mr Franz Vranitzky, a Social Democrat, has refused to be rushed into a decision by his coalition partners. Earlier this year, the two parties agreed to postpone any decision on WEU membership until the first quarter of 1998. While Mr Vranitzky hesitates, some members of his party have begun to push for entry. In an interview, Mr Josef Cap, former secretary general of the party and now an MP, urged the government to join Nato as soon as possible.

Mr Cap was immediately rebuked by Mr Vranitzky and others, but some Social Democrats admit privately that eventually they will have to accept Nato membership in order to have some input into the strategic decisions that also affect Austria's security.

Eric Frey looks at the choices on security facing an EU recruit

The opposition parties are also split. The leftwing Greens want to stick to neutrality and accuse the Social Democrats of breaking their earlier promises. The far right Freedom Party of Mr Jörg Haider calls for immediate Nato entry. The Liberal Forum want to join the WEU but delay Nato membership until a later date. Polls show that many Austrians would not mind joining Nato if they could stay neutral, at least in name.

Austria declared permanent neutrality in 1955 in exchange for the withdrawal of Soviet troops from the eastern part of the country. The policy of non-alignment became extremely popular and was widely seen as a central element in Austria's post-war identity. Neutrality allowed Austria to attract international organisations and to act as a broker between east and west.

Most security experts agree that neutrality has lost its meaning since the collapse of the Warsaw Pact. When Austria joined the EU in 1995, it also accepted the terms of the Maastricht treaty that call for the creation of a common defence policy. Austria has also joined the Partnership for Peace of Nato and dispatched about 300 soldiers to Bosnia as non-fighting participants in the Ifor mission.

Most Austrians would still prefer not to join a military alliance. They are afraid of foreign entanglements and the cost of bringing the Austrian military to Nato standards. Defence spending's share of total GDP is only 0.9 per cent, well below any Nato country.

The deep split in the government and in public opinion has made it difficult to make its voice heard in the EU. The government does not want to stand in the way of other EU countries moving towards political integration, but it also hopes that the intergovernmental conference will not move too far in this direction.

Austria strongly supports the plan to include humanitarian and peacekeeping missions in the revised Maastricht treaty and opposes a full merger between the WEU and EU.

Sweden, Finland and Ireland face similar pressures, but experts say their geographical locations on the edge of the EU make it easier to choose their own course.

Slovaks to gather bond windfall

By Vincent Boland in Bratislava

More than 3m Slovak citizens have the opportunity from this week to collect an unexpected windfall when a bond issue that replaced coupon privatisation begins public trading.

They can turn a Sk1,000 ($33) investment in a book of coupons for a privatisation programme that never happened into a guaranteed Sk7,500 – roughly a month's salary – by selling the bonds the government issued to compensate for the cancelled sell-offs last year.

No trades were reported yesterday because of confusion over who can buy the bonds. Some economists are alarmed at the prospect of an imports surge if people spend the profit on consumer goods.

Some 3.3m Slovaks own a bond, each with a nominal value of Sk10,000. They now have four options. They can sell them from yesterday, hold them to maturity in five years, exchange them for state property, or use them for down-payments on housing.

Brokers in Bratislava expect many holders to sell the bonds for an immediate profit. Minimum selling price is Sk7,500 and the most likely buyers are privatised companies. Coupon privatisation was replaced with a policy of selling controlling stakes in companies to management at knock-down prices, with payment by instalment.

The bonds can be redeemed at par by those companies to pay off the instalments. However, only 14 of the estimated 600 companies sold to management have so far been licensed to buy the bonds by the National Property Fund (NPF), the state holding company to which they owe the money.

Brokers blame the NPF bureaucracy for delays in explaining how the market for the bonds will operate and in granting the licences. While the government is keen to see a market develop, its success "depends on how the market will be prepared and how much information the public will have", said Mr Martin Moncman of ING Baring Securities in Bratislava.

If a strong market develops it could cause headaches for the National Bank of Slovakia. The central bank never liked the bond issue, fearing its consequences for inflation and the country's trade deficit, which reached Sk27bn in the first half of 1996 partly because of high imports of consumer goods.

Ciampi will press case at today's cabinet for hiving off non-core businesses

Rome to decide on speeding Stet sale

By Robert Graham in Rome

Italy's centre-left government is expected to decide today whether to accelerate the privatisation of Stet, the state telecoms group, by hiving off non-core business.

Mr Carlo Azeglio Ciampi, the Treasury and budget minister, is pressing for the immediate sale of three companies: Finsiel, a computer software unit; Seat, responsible for yellow pages publishing; and Sirti, a telephone equipment manufacturer.

This, he argues, would raise more funds than selling Stet in its current form. Stet has a market capitalisation just below L25,000bn ($16.5bn) but, on some estimates, up to L8,000bn more could be raised.

Italy's state railways company has chosen a consortium of Olivetti and France Telecom to develop its telecoms activity. They are expected to pay at least L600bn ($395m) for a 70 per cent stake in Telesistemi Ferroviari based on the existing value of the rail telecoms infrastructure, but the price could be higher depending on final investment commitments. Both BNL, the state-owned bank, and Eni, the state-controlled oil company, are bringing in external partners to operate and develop private telecoms networks. Both chose partnerships with British Telecom.

Within Stet there has been strong resistance to any break-up, and the trade unions yesterday repeated their opposition to the idea. Iri, the state holding which controls 62 per cent of Stet, also remains sceptical of the benefits of such a move. Their allies both inside and outside the government have constantly delayed the privatisation of Stet which was first set in motion in 1993 when Mr Ciampi was prime minister.

However, the prospect of further delays, combined with the impact of this on Iri's precarious finances, provides the Treasury with strong arguments at today's cabinet meeting. Iri is committed to respect a 1993 accord with the European Commission under which the state holding must reduce its debt by almost L20,000bn by the end of this year. The only way this can be achieved is by selling off all Iri's stake in Stet.

The newly approved legislation to establish a telecoms regulatory authority will take time to be translated into practice, however. Government officials doubt the agency can be operating before November. Given the proposed sale of Deutsche Telekom in November, the Treasury says the earliest window of opportunity for an international sell-off would be in January/February next year.

This in turn provides the Treasury with extra ammunition to divide non-core activity from the telephone business which will be subject to the regulatory authority. It feels Brussels is only likely to be accommodating in postponing the deadline on Iri's debt reduction if the Stet sale is at least partly under way.

Originally, only Seat and Sirti were to be sold off, the objection to Finsiel being that it handled sensitive state contracts including all the Treasury's data processing software. Last Friday, the government agreed to set up a special company to handle the Treasury's data processing. At the same time Finsiel formed a new company with the state railways to handle their information technology worth L200bn a year.

EUROPEAN NEWS DIGEST

Bonn urges EU review on BSE

The German government will ask the European Union to review the measures taken so far to combat bovine spongiform encephalopathy (BSE), or mad cow disease, following last week's report by British scientists that suggested cows could pass on the disease to their calves.

The request was made after Mr Jochen Borchert, the German agricultural minister, met representatives from the 16 Länder, or states, which have been at the forefront in opposing any gradual lifting of the export ban on British beef products.

Mr Borchert said he wanted the EU's scientific and veterinary committee, which consists of representatives of the member states, to meet as soon as possible. He said consumers were not entirely convinced that beef, imported or domestic, was safe to eat, while there were now fears that BSE would effect milk and milk products. A Commission official yesterday said it had noted the request but said the committee was not due to meet until September.

The move by the government is intended to assuage the Länder and Germany's powerful agricultural lobby, that Brussels is doing all it can to combat BSE. It also means that the government will be given a breathing space to win over support from the Länder to implement a decision by Brussels last month partially to lift the export ban on some British beef products.

Judy Dempsey, Bonn and Neil Buckley, Brussels

Germany anger at UK and Brussels over BSE, Page 10

Waigel seeks hefty tax cuts

The German government is planning sweeping tax cuts which could reduce the highest income tax rate from 53 per cent to 40 per cent starting from 1999, Mr Theo Waigel, the finance minister, said yesterday.

The measures, being drawn up by a special tax reform commission which met yesterday, also envisage a further reduction of the solidarity tax, a surcharge on taxable income reintroduced in 1993 to finance the reconstruction of the east German economy.

The surcharge, one of the most unpopular taxes, could be reduced *next* year from 7.5 per cent to 6.5 per cent and to 5.5 per cent in 1998. But there is still a dispute in the government over when the tax should be scrapped altogether, with the liberal Free Democrats, the junior partner in Chancellor Helmut Kohl's coalition, calling for its abolition as soon as possible.

The tax measures reflect a growing consensus among industry, economists and political parties that Germany's notoriously cumbersome tax system must be simplified and the plethora of allowances, particularly for the better off, be reduced or abolished. *Judy Dempsey, Bonn*

Italian insurance price probe

The Italian anti-trust commission said yesterday it had opened an inquiry into recent sharp price rises in the car and motorcycle insurance market.

The Italian government last week called on insurers to offer more competitive motor rates, complaining that the insurance market was still not functioning well. Rigid laws controlling Italian motor insurance were relaxed in July 1994 after strong lobbying from companies which protested that they were having to support huge losses because of enforced low pricing policies. Since then, the anti-trust body said there had been "significant price increases in the sector". The Italian Insurance Association has blamed the increases on a larger number of accidents coupled with greater costs, especially for personal injuries. *Reuter, Rome*

Unicombank back on course

Russia's central bank has helped restore financial stability to Unicombank, one of the country's largest commercial banks, and is releasing it from temporary administration. The central bank said creditors' interests were no longer in danger after Unicombank had successfully normalised its operations following a recent "management crisis".

The move will bolster the central bank's credibility as an industry regulator and strengthen its programme of helping other Russian banks out of temporary difficulties.

A sharp decline in inflation and a more competitive economic environment have threatened the solvency of scores of Russia's 2,100 commercial banks. The central bank has stressed it will not jeopardise its tough monetary approach by bailing out troubled banks but is prepared to appoint teams of experts to help banks restructure their finances. The central bank moved in to Unicombank in May to defend the interests of 250,000 private depositors after the commercial bank failed to pay some clients. *John Thornhill, Moscow*

European air traffic to grow

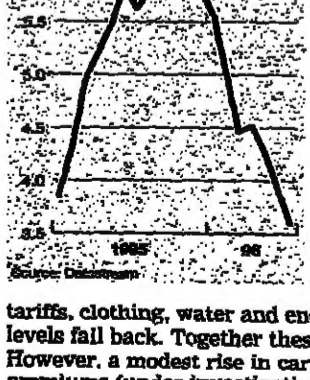
Passenger traffic on Europe's big airlines is to grow by 6.4 per cent each year for the next five years, marginally up on long-term forecasts, the Association of European Airlines (AEA) said yesterday. Within Europe, it predicted cross-border passenger numbers would rise by one third from 1995 to 2000, an increase of 36m.

"Behind the growth expectation is an anticipated period of relatively favourable economic development and a constant reduction in average fare-per-kilometre in real terms," the AEA said. Aside from expected recovery in traffic to and from former Yugoslavia, the AEA said the highest growth would be from Turkish and Irish routes followed by Portugal, Belgium, Germany, Spain and Scandinavian countries. Slower growth was predicted from Malta, Cyprus, Greece and Switzerland.

Passenger traffic on AEA airlines grew 8.9 per cent year-on-year in June. *Reuter, Brussels*

ECONOMIC WATCH

Italian inflation slows



Italy's inflation rate fell in July to an annualised 3.6 per cent from 3.9 per cent the previous month, according to figures released yesterday by Istat, the state statistics institute. The improvement was better than expected and was largely influenced by a government decision to cut electricity tariffs. As a result consumer prices in July fell by 0.2 per cent. This was the first time since 1968 that negative growth in inflation has been recorded. Apart from the move on electricity tariffs, clothing, water and energy products all saw price levels fall back. Together these items fell 1.2 per cent. However, a modest rise in car prices and car insurance premiums (under investigation by anti-trust authorities) led to an increase in transport prices of 0.2 per cent.

The government believes that inflation by the end of the year will be 3 per cent or lower, with 2.5 per cent projected for next year. Economists yesterday welcomed the trend but warned that domestic demand remained stagnant. *Robert Graham, Rome*

■ Greek inflation dropped to 8.6 per cent year-on-year in July from 8.8 per cent in June.

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Embassy's report pointing to overstated growth branded as politically motivated

Burmese junta dismisses US survey

By Ted Bardacke in Bangkok

Burma's military junta yesterday described a US report on the country's economy as politically motivated.

In its annual economic survey of Burma, the US embassy in Rangoon says economic growth has been widely overstated by misleading accounting practices. Defence spending now accounts for 41 per cent of all government expenditure and forced or involuntary labour is equivalent to about 3.1 per cent of the country's gross domestic product, the survey says.

The report, released yesterday, has been blasted by officials of Burma's military junta, who say the report's attempt to correct statistical distortions caused by the country's dual exchange rate and by lack of reporting on military spending is politically driven.

The US government has been the most vocal international critic of Burma's military regime because of its human rights record and its alleged tolerance of drug-trafficking activities. US pressure groups have been at the forefront of a campaign to convince multinationals to withdraw from Burma.

Gen David Abel, Burma's economic development minister, said yesterday: "The intention of floating such a report is to seed doubt and cause mischief."

He said defence spending was only 8-10 per cent of the national budget. Official Burmese statistics make no mention of defence spending. Last year the World Bank estimated defence spending accounted for 50 per cent of current government expenditure in fiscal year 1993-94 and 45.9 per cent in 1994-95.

Economists say the level of military spending is important because it is the single most important factor in Burma's chronic fiscal deficit – which stands at 11.5 per cent of GDP – and in its 25 per cent annual inflation. Growing military imports, which the government stopped reporting three years ago, are also pushing up the country's external debt and are partly to blame for Burma's external arrears, which the World Bank estimates at $1.5bn, up 83 per cent from three years ago.

Exchange-rate adjusted economic growth for each of the past two years was 4.6 per cent, the US Embassy said, compared with 5.9 per cent and 6.8 per cent claimed by the Burmese government. Some of this growth can be attributed to a transfer of activity from the black market to the legal economy since trade was liberalised.

The report also hints at the growing influence of drug and other extra-legal money, now that several drug-producing ethnic groups have been "brought into the legal fold".

Net private transfers of foreign currency have substantially exceeded foreign direct investment for the past two years and the Burmese government "now makes no perceptible effort to bar investments funded by the production or export of narcotics," the report says.

Death penalty sought for Chun by prosecutors

By John Burton in Seoul

South Korean prosecutors yesterday asked that former president Chun Doo-hwan be sentenced to death and his successor, Roh Tae-woo, receive life imprisonment for alleged sedition.

Even if the Seoul district court upholds the suggested punishments at a sentencing session later this month, most analysts believe Mr Kim Young-sam, the South Korean president, will eventually use his executive privilege to reduce the penalties to shorter prison terms.

The proposed sentences, which were expected, followed a six-month trial that focused on their roles in a 1979 coup that brought them to power, and the subsequent 1980 massacre of at least 200 pro-democracy demonstrators in the south-western city of Kwangju.

The ex-presidents are also facing separate charges of allegedly accepting a combined total of almost $2bn in corporate bribes during their consecutive terms of office between 1980 and 1993.

Fourteen other persons, most of them former military colleagues of the two ex-presidents, face possible prison terms of 10-15 years. The suggested death penalty for Mr Chun reflected his role as the leader of the 1979 army coup and his position as martial law commander when the Kwangju massacre occurred in May 1980.

Mr Chun, who subsequently became president in August 1980, is an unpopular figure in Korea because of his seven years' rule. In contrast, Mr Roh, who succeeded him in 1987, was considered to have had a subservient role in the army coup and is credited with paving the way for democratic rule as president.

It was Mr Roh's admission last October that he accepted $650m in corporate payments that triggered a series of events that led to the trial of the two ex-presidents. His arrest last November on corruption charges provided an opportunity for Mr Kim, a former political dissident, to pursue Mr Chun as well, on sedition charges.

Their trial has been marked by controversy, with lawyers for most of the defendants having resigned in the past month to protest at what they claimed was the prejudicial attitude of the court judges.

Supporters of Mr Chun have also accused Mr Kim of conducting a vendetta to wrest control of the ruling party from allies of the two ex-presidents, while trying to divert attention from allegations about the financing of Mr Kim's presidential campaign in 1992.

Jeremy Grant meets Vietnam's newest recruit to the politburo

Age no barrier for favourite son of Ho Chi Minh City

He is snappily dressed in a dark suit complete with tie pin. His slicked-back hair looks as if it has been given a dose of gel. He smiles as he offers his business card. It is headed "Communist Party of Vietnam".

Mr Truong Tan Sang is the party's highest flyer and, as Vietnam's youngest recruit to the ruling politburo, is the country's most talked-about politician.

At 47, Mr Sang is chairman of the Ho Chi Minh City branch of the Communist party, an appointment made during the party's five-yearly congress at the end of June. The post comes with a seat on the politburo, the highest decision-making body in the land.

Yet nothing in his curriculum vitae marks him out as a high achiever. His only executive position before becoming mayor of the city in 1991 was at the helm of a state-run forestry concern. Unlike many technocrats of his age, he was not trained in the former Soviet Union. Instead, he took evening classes at Ho Chi Minh City university, earning a law degree.

Thus armed, he will now have to share power in the 18-member politburo with the revolutionary septuagenarians who have dominated the political landscape in the decade since the country's *doi moi* economic reforms began. He will also sit alongside two military men who masterminded Vietnam's invasion of Cambodia in 1979.

He brushes aside suggestions that the older generation do not fully trust the party's younger bloods, an attitude many observers say was behind the ruling troika's refusal to relinquish power at the recent party congress. "The older generation of revolutionaries fully trust the younger generation. [Membership] is an opportunity for me to acknowledge the guidance of the older generation that has helped and guided us through wartime and during the renovation period."

Mr Sang is clearly an intuitive politician but he is also a loyal party man. It is perhaps this, more than anything else, that propelled him to his current position, in spite of his age.

For the last five years, as chairman of the Ho Chi Minh City people's committee he has presided over dramatic changes in one of south-east Asia's fastest growing cities. Last year, Ho Chi Minh City's gross domestic product growth was about 15 per cent.

Foreign investors have pumped millions of dollars into projects in and around the city. Local businesses – most of them ethnic Chinese previously the victims of economic and political discrimination – are flourishing as never before.

Unlike its counterparts elsewhere in Vietnam, the Ho Chi Minh City people's committee is much more than an administrative body. It is also a sprawling business machine, having inherited factories, hotels and a huge property portfolio from the US-backed South Vietnam. Many of the people's committee business units are linked in lucrative joint ventures with foreign investors.

Holding the confidence of the party: Truong Tan Sang is their highest flyer Reuter

Mr Sang sums up his business philosophy thus: "In a multisectoral economy, it's inevitable to have rich and poor. In Vietnam, we say 'let those who have favourable conditions enrich themselves first, and then let those less fortunate enrich themselves later, thanks to the support of those who have already become rich'."

Commercial pragmatism and loyalty is a combination that the Communist party feels it needs from its cadres as it tries to steer Vietnam towards a market economy while maintaining full political control. There are two problems with this. No one knows if it will work. And there are precious few party members like Mr Sang, who has managed to protect the business interests of the people's committee while allowing the nascent private sector a degree of latitude.

The private sector is viewed with extreme ideological suspicion by the party, and faces wide-ranging economic discrimination. Foreign economists see it as the country's best hope for sustainable economic growth.

"Overall our policy does not discriminate against the private sector or give any privileges to the state sector because we want to mobilise all resources in order to modernise and industrialise our economy," he says. His words will be cold comfort to the entrepreneurs still unable to use land as collateral for bank loans, unlike loss-making state companies.

Only 1km away from Mr Sang's office in a converted French villa, people live in slum conditions, the flip side of Ho Chi Minh City's economic success story. Drug abuse is rising. Girlie bars and prostitutes are still as much a part of the city's image as they were in the Vietnam war years.

"We've built many houses of grace and we also try to provide education to many street children. There are about 45,000 of them and we have gathered 25,000 into classes," he says.

Some observers say the city has grown fast without infrastructure keeping pace and there are problems looming. But Mr Sang deserves credit for holding the city together as it coped with the strains of sudden capital inflows. "He obviously has the confidence of the party and if he takes a position [in the politburo], it'll probably stick," says one.

Calls grow for Malaysia power monopoly end

By James Kynge in Kuala Lumpur

The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, plunged yesterday after an almost nationwide blackout at the weekend hit the company's reputation and prompted calls for its transmission monopoly to be terminated.

Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation, closed down 4.41 per cent to M$9.75.

Investors were concerned that companies forced to stop production for the 15-hour power cut from Saturday evening to Sunday morning would demand compensation from Tenaga. Some analysts said losses at companies from the power cut, originating in the eastern state of Terengganu where much of the grid dates from the 1970s, could exceed M$100m ($40.5m).

Market analysts said Tenaga's transmission and distribution monopoly, previously guaranteed until 2000, could be in jeopardy. The Federation of Malaysian Consumers Association suggested yesterday a parallel grid should be built and run by some or all of five independent power producers (IPPs) which have begun generating since 1994.

The suggestion appeared to be echoed by Mr Anwar Ibrahim, deputy prime minister and finance minister, who said the current grid was "not acceptable". Dr Mahathir Mohamad, the prime minister, summed up a mood of anger and shame within the government.

"Where are we going to hide our faces," he said. "We invited people to invest, and now their factories are affected and the aircraft cannot take off."

Dr Mahathir last week invited the world's top information technology companies to invest in an ambitious 750 sq km "multimedia super-corridor", a central plank in Malaysia's vision of becoming fully industrialised by 2020.

To achieve that goal, when wages are rising and a labour shortage is eroding its traditional competitive advantages, Malaysia needs to provide reliable and efficient utilities.

Tenaga had pledged to keep power cuts to a minimum and observers said its failure could serve it ill when the government decided whether to allow it to increase power price rises.

A delay in implementing price rises this year was the main factor behind a decline in Tenaga's net profits to M$370m in the half year to February 29 this year from M$798m in the previous period.

Vote on nuclear reactor fails to sway Tokyo

By Emiko Terazono in Tokyo

Results of Japan's first local referendum over a nuclear project, at Maki in northern Japan, would not affect the country's nuclear energy policy, the government said yesterday.

Officials put on a brave face after the weekend vote by Maki residents to reject construction of a nuclear reactor in the town. However, the government already faces pressure to review its policy following a leakage at Monju, Japan's next-generation nuclear reactor, last December.

"Given we have no alternative to the energy policy, we must consider nuclear energy as a main power source," Prime Minister Ryutaro Hashimoto said.

Mr Seiroku Kajiyama, chief cabinet secretary, said the referendum, where over 60 per cent of Maki's 30,000 residents voted against building the plant, covered only a single project and was not a rebuttal of the government's energy policy.

Mr Ichiro Ozawa, leader of the New Frontier party, the leading opposition grouping, said the result of the referendum should be reflected in Japan's energy policy.

Under its long-term nuclear policy plan released in 1994, the government aims to increase total capacity of Japan's nuclear power plants to 70.5m KW to supply 40.2 per cent of the country's total energy needs by 2010.

Plans to build a nuclear reactor in Maki were announced by Tohoku Electric Power in 1969 and since then have divided the town. The result of the referendum is not legally binding.

Pressure to revise HK forecasts grows

By Louise Lucas in Hong Kong

Pressure on the Hong Kong government to revise its full-year growth forecasts increased yesterday after official figures showed the economy grew 3.1 per cent in the first quarter of the year against the same period of 1995. This was at a far slower rate than the 5 per cent growth for the full year forecast by the government.

Private-sector economists, forecasting full-year growth of 4.1-4.6 per cent, say the government will be forced to downgrade the estimate in the light of weak export growth through the first half and continuing poor consumer sentiment.

Yesterday's first-quarter figures showed re-exports registered a moderate 7.5 per cent growth in real terms against the same period last year, while domestic exports fell 7.4 per cent. Domestic exports have been dwindling as Hong Kong manufacturers relocate their operations in mainland China.

Private consumption spending grew 3.5 per cent in real terms and government expenditure 3.8 per cent. Consumer spending accounts for 60 per cent of gross domestic product. Retail sales have edged upwards and property prices are steadying but many economists say the "feel-good" factor is still absent.

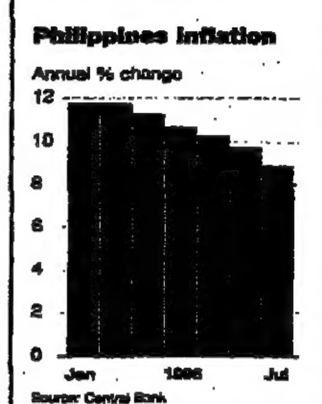
Economists say a weakening of the US dollar may help trade in the second half while a devaluation of the Chinese yuan would stimulate China trade, the key plank of re-exports. If the expected rise in US interest rates materialises in the second half, and is imported to Hong Kong via the currency link, consumer spending would be further subdued.

ASIA-PACIFIC NEWS DIGEST

China opens up Xinjiang

China is stepping up development of its oil-rich and potentially troublesome western Xinjiang region with the allocation this year of Yn12.2bn ($1.46bn) for investment, mostly infrastructure, the People's Daily reported yesterday. Some 30 projects had been identified for central government support, including roads, oilfields and power plants. Beijing will provide 70 per cent of funding for key projects, the rest coming from local authorities and business. The region is attracting attention as an increasingly important cotton and grain-growing area. The Taklamakan Desert, including the Tarim Basin, is also believed rich in gas, but the cost of developing oil and gas fields in such a remote location is deterring foreign investors. China has built a small pipeline, but this would be inadequate for full-scale commercial development. *Tony Walker, Beijing*

Philippine inflation falls



Philippine inflation fell to 8.9 per cent in July, its third consecutive monthly drop and evidence it is on course for the official 6 per cent target by December, economists said yesterday. The decline, following the rise to 11.8 per cent last October, came in most sectors, notably food. The tightening of money supply, agreed with the International Monetary Fund earlier this year when the target for broad money (M3) growth was reined back from 29 to 25 per cent, contributed to the slowdown. Worries over fuel prices, expected to rise after the gradual liberalisation of oil prices began last month, and galloping real estate prices, indicate longer-term price stability may not yet have been achieved.

Most private-sector groups agree with official predictions of 6 per cent inflation by December and an annual average of 8-9.5 per cent for 1996. The bellwether 91-day treasury bill rate is expected to remain at 12-13 per cent for the rest of the year. *Edward Luce, Manila*

Megawati calls in lawyers

Ms Megawati Sukarnoputri, the ousted Indonesian opposition leader, yesterday sent lawyers to represent her at police questioning about her role in allegedly inciting last month's riots in Jakarta, the worst in two decades. Her lawyers said she was prepared in principle to answer any questions in line with her strategy of taking her battle over the party's leadership to court. Ms Megawati was ousted as leader of the opposition Indonesia Democratic party by a rival government-backed faction.

Meanwhile, Major-General Syarwan Hamid, head of the military's socio-political section, accused "labour organisations" in Australia of financing a group of political activists whom the military accuse of masterminding the riots. But no plans are in hand to complain to the Australian authorities. *Manuela Saragosa, Jakarta*

IMF warns on Thailand

Thailand's only hope for an "enduring improvement" in its monetary controls is a more flexible exchange rate system, the International Monetary Fund says in a confidential report. The IMF concluded the central bank's monetary controls were inherently weak: "As Thailand's capital account has become increasingly open with financial liberalisation, the scope for an autonomous monetary policy (given the fixed exchange rate regime) has been steadily eroded."

The report says Thailand must relax its fixed exchange rate system to restrain the tide of short-term capital flooding in and compromising financial stability. Thailand had two options: widening the band in which the baht trades against the dollar, or changing the basket of currencies to which it pegs the baht. The inflexibility of the baht imposes "constraints on available policy instruments to respond effectively to shocks" from the current account or sharp increases in capital inflows, the report adds. *AP-DJ, Washington*

Elliott cleared on one charge

Mr John Elliott, former head of the Elders IXL brewing and agribusiness conglomerate, was yesterday acquitted on one of the charges he faces in relation to alleged fraudulent foreign exchange dealings, dating back to 1988. In the Supreme Court, Justice Frank Vincent recorded a not guilty verdict on a charge of giving false evidence to Australia's National Crime Authority. Two of Mr Elliott's former colleagues, Mr Peter Scanlon and Mr Kenneth Biggins, were also found not guilty on the same charge.

They still face charges of theft and conspiracy to defraud. The case centres on two foreign exchange transactions totalling A$66.5m (US$51.5m) between Elders and Bank of New Zealand in 1988. *Nikki Tait, Sydney*

Dole grasps nettle of balanced budget

Proposed constitutional change would tie politicians' hands, writes Michael Prowse

The most important element in Mr Bob Dole's long-awaited economic plan, unveiled yesterday, is not the proposed 15 per cent cut in income tax rates, but an explicit commitment to pass an amendment to the US constitution mandating a balanced federal budget.

"Only the moral authority of the constitution can force Washington to do what every American family must do: live within its means," the plan says. "Most states are required to balance their books. Bob Dole believes the federal government should be required to do so as well."

A balanced budget amendment would not be a mere promise to achieve a zero deficit by 2002, or any other date. Unlike ordinary legislation it would not be something that Congress could simply vote down at will. It would tie the hands of politicians for decades to come – which is why Democrats led by President Bill Clinton fought so hard to prevent its passage last year.

If a President Dole could deliver on this central pledge, there would be no danger of the promised tax cuts leading to higher deficits. If his economic plan proved too optimistic, he would face two choices: either balance the income tax reductions with increases in other taxes or cut spending more aggressively than currently envisaged.

The proposed tax cuts should be seen in perspective. The 15 per cent reduction is in marginal tax rates – the rates paid on the last dollar of income. Individuals' total tax liability would fall much less sharply, and the cuts would be phased in over three years starting in 1997. The total cost (including other measures such as a child tax credit and cuts in capital gains taxes) would be $548bn over six years, or about 1 per cent of national income.

Mr Dole provides only sketchy details of how the cuts would be made consistent with a balanced budget by 2002. After analysing the results of tax cuts in the 1980s, Prof John Taylor of Stanford University – Mr Dole's principal economic adviser – claims faster economic growth (and hence revenues) would pay for 27 per cent of the tax cuts.

This ambitious "growth dividend" reflects the assumed positive impact not just of tax cuts but of other measures in the plan, such as educational and regulatory reform. Mr Dole would also cut non-defence spending by $217bn over six years and take advantage of $393bn in expenditure cuts already outlined by the Republican Congress.

In practice such numbers mean little. The Democrats crucified Mr Newt Gingrich, the House speaker, last year for proposing modest curbs on the growth of Medicare, the federal healthcare plan for the elderly. In the campaign, Mr Dole (like President Clinton) will therefore not discuss the long-term future of either Medicare or Social Security, the even more expensive public pension programme. Nor is he talking about defence, even though he has signalled support for a costly "star wars" initiative.

Yet the future of federal deficits will be largely determined by decisions on "entitlement" programmes, especially social security. As president Mr Dole, if supported by a Republican Congress, would almost certainly impose tougher curbs on entitlement spending than Mr Clinton. The question is whether his extra toughness would more than offset tax cuts and higher defence spending. If he delivered on the balanced budget amendment, the answer would have to be yes.

The tax cuts are part of a broader plan. Sounding suspiciously like Candidate Clinton in 1992, Mr Dole says his first priority is faster economic growth. Echoing Democratic criticisms of then-president George Bush, he accuses Mr Clinton of presiding over an era of stagnant wages and "diminished expectations". Under Mr Clinton growth has averaged 2.4 per cent a year, against 3.2 per cent during the entire decade of the 1980s.

Mr Dole argues that faster growth requires "a fundamental overhaul of the tax system". He would greatly reduce or eliminate the present biases against savings and investment and do away with many loopholes for special interest groups. He would simplify the tax code to the point where most taxpayers could file returns on a postcard. The bureaucratic Internal Revenue Service would be a prime candidate for ruthless "downsizing".

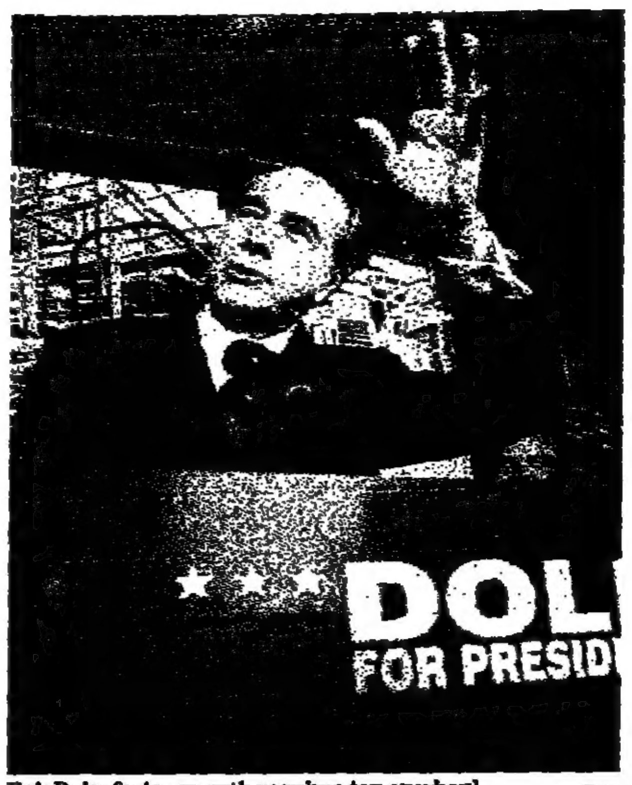
If he reached the Oval Office, Mr Dole would also seek faster growth by reducing the economic burden of federal regulations, which is currently estimated at about $670bn a year (or $6,000 per household), and by reforming the highly inefficient legal system.

Finally, taking a page from Mr Clinton's Putting People First manifesto of 1992, Mr Dole emphasises his commitment to educational reform. "Education is the single greatest force for improving opportunity from one generation to the next."

But his recipe for reform is more radical than anything the Democrats have contemplated. As president he would introduce a voucher scheme allowing parents to spend tax dollars on education in private and religious as well as public (government) schools. What the public schools need, argues Mr Dole, is not more money but a dose of competition.

The Dole plan is an ambitious mixture of fiscal austerity and microeconomic reform. The goal of passing a balanced budget amendment to the Constitution while cutting marginal tax rates is not self-contradictory. But it would require restraint of entitlement spending – an area of the budget that Mr Clinton has refused to touch for political reasons.

The good news about the Republican convention is that few speeches will be longer than 10 minutes, Reuter reports from Washington. The bad news is that there will be dozens of them. Organisers of the party's August 12-15 convention in San Diego are working hard to make the four-day Bob Dole love-fest palatable to TV viewers, but realise this may be an uphill fight. To rein in the long-winded, most speeches will be five or six minutes long.



Bob Dole: faster growth requires tax overhaul *Reuter*

Buenos Aires mayor walks into self-rule row

By David Pilling in Buenos Aires

Mr Fernándo de la Rúa of Argentina's opposition Radical party takes over today as the first elected mayor of Buenos Aires amid bitter arguments over how much autonomy the capital should enjoy.

Mr Carlos Ruckauff, the country's vice-president, described as "an uprising" the declaration on Friday by the Buenos Aires constituent assembly that it would press for full autonomy, including the right to hold legislative elections and to set up a local police force and judiciary.

"Buenos Aires is not a province, it is a municipality," said Mr Ruckauff, who represents the governing Peronist party on the constituent assembly. As such it was subject to various restrictions by federal authority, he said.

The constituent assembly, elected in June to draw up the statutes for the city, is dominated by opposition parties, most notably the centre-left Frepaso alliance. The Radical party of Mr De la Rúa has the second highest number of delegates, with the Peronist party beaten into an embarrassing third place.

Mrs Graciela Fernández Meijide, who heads the Frepaso delegation, said she would fight for the "total autonomy of the city", and resist all attempts to limit the authority of its elected representatives by the federal government. Until the election of Mr De la Rúa, mayors were appointed by the president.

Mr De la Rúa, who needs the co-operation of the existing administration in Buenos Aires to ensure a smooth transition, has tried to play down the conflict.

The new mayor, who takes over a rich city but one plagued by financial headaches, is also keen to preserve good relations with the national government, with which he will have to negotiate future tax-sharing arrangements.

Nevertheless, Mr De la Rúa has made clear he will not accept federal interference in Buenos Aires' affairs. "The declaration of the assembly was appropriate," he said. "The autonomy of the city should be broad and, when the time comes, it will be." More than one newspaper columnist has jibed that from today President Carlos Menem will be a "guest in De la Rúa City".

The president, who does not want Buenos Aires to become an effective focus for the opposition, said he would take the matter to the Supreme Court if the constituent assembly persisted in its drive for autonomy.

AMERICAN NEWS DIGEST

Index points to US growth

A key gauge of US economic activity strengthened in June, the Conference Board, a business analysis group, said yesterday, despite providing additional signs of slowing in the industrial sector.

The index of leading indicators, designed to forecast economic trends six to nine months ahead, rose by 0.5 per cent in June after a revised 0.2 per cent increase in May. Higher prices for commodities helped drive the index up, but orders received by factories for durable goods were lower than in May.

The overall monthly gain in the index during June was moderately stronger than anticipated by Wall Street economists who had forecast a 0.3 per cent rise.

The leading index measures a basket of economic indicators from unemployment benefit claims to building permits. Six of its 11 components were higher in June while five weakened.

The signals of rising activity in June were led by increased commodity prices, slower vendor deliveries, rising consumer expectations and a higher money supply. The average working week was longer and stock prices were higher.

The negative indicators were fewer new orders in June for durable goods and reduced orders for new plant and equipment. Order backlogs also fell. *Reuter, Washington*

Vesco awaits Cuban verdict

Mr Robert Vesco, the fugitive US-born financier on trial in Cuba on charges of fraud and illegal economic activity, faces a possible 20-year jail sentence after a Havana court adjourned at the weekend to consider its verdict.

The prosecution maintained its request for a guilty verdict and a 20-year term after a public hearing in which Mr Vesco was accused of trying to defraud the Cuban government and foreign investors in a project to develop an alleged wonder drug, called TX, supposedly effective against cancer and Aids.

Mr Vesco, who is also wanted in the US for drug-trafficking and embezzlement, denies the Cuban charges against him. Under the Cuban system, the court, which consists of judges and no jury, will deliver the verdict and sentence together. *Pascal Fletcher, Havana*

Samper fined for noisy landing

French authorities fined Colombian President Ernesto Samper $10,000 for making an unusually noisy landing with his Boeing 707 presidential jet at Orly airport in Paris, the Colombian news magazine Semana reported yesterday.

Semana said Mr Samper, who suffered the indignity of having his US tourist visa revoked last month, was cited during an official visit to Paris last week for violating noise pollution controls. Orly also charged an additional $1,000 for landing rights. *Reuter, Bogotá*

DR opposition wooed

Dominican Republic President-elect Leonel Fernandez met opposition party members on Sunday to bolster his party's weak showing in congress.

Set to take office on August 16, Mr Fernandez hopes to sell power plants and revise financial laws, which would require opposition support since his Dominican Liberation party controls less than 10 per cent of the legislature. *AP, Santo Domingo*

Past stalks France's future in Africa

Michela Wrong on a policy battle for President Chirac's soul

It was no coincidence, when France's President Jacques Chirac made his first visit to central Africa last month, that he chose to deliver his key speech in Brazzaville, on the banks of the Zaire river.

It was in the Congolese capital, base for the exiled Charles de Gaulle's campaign to free France from Nazi rule, that the framework for relations between Paris and its soon-to-be-liberated African colonies was first laid.

By speaking there, the Gaullist president was broadcasting reassurance to Francophone African leaders worried about Paris's commitment to the continent. "*Plus ça change*," the message went, "*plus c'est la même chose*" (the more things change, the more they stay the same).

But the African leaders are right to be anxious. For analysts agree that, when it comes to France's policy on Africa, a battle for Mr Chirac's soul is taking place.

It is a battle between two schools of thought, represented by two individuals. At one extreme is Mr Jacques Foccart, Gen de Gaulle's Africa adviser, recalled from retirement. At the other, the prime minister, Mr Alain Juppé, Mr Chirac's long-standing ally.

Now a frail octogenarian, Mr Foccart is a living symbol of France's policy in Africa since independence.

Critics often quip that what made France's decolonisation special was that it never decolonised at all. Gen de Gaulle's message to countries itching for independence was – you can go it alone and suffer the consequences, or you can stay close to your colonial master and profit accordingly.

Those who accepted got French investment and what was in effect a hard currency: the CFA franc, guaranteed by France's Treasury.

Collapsing economies were bailed out by France, which also provided protection from the ever-present threat of insurrection with nearly 9,000 French troops, stationed across the continent.

In return French companies won the lion's share of government contracts and monopolised national markets, boxing potential competitors out of France's "private hunting ground".

African presidents were covert contributors to the electoral campaigns of both right and left. They could also be counted on to support France in international forums such as the United Nations, allowing a small country a disproportionate level of clout, while propping up the campaign to maintain French as a world language.

The cement binding this paternalistic arrangement were the extraordinarily intimate relations between a generation of French politicians, businessmen and African leaders. Central African Republic's "Emperor" Jean Bedel Bokassa, called Gen de Gaulle *père* (father). Gabon's President Omar Bongo was auditioned to see if he was up to the job. Ivory Coast's President Felix Houphouet-Boigny, so loved France he ended up spending more time there than at home.

The croneyism was not exclusive to the Gaullists. Despite a famous speech in which socialist President François Mitterrand promised to make aid conditional on democratic reform, he turned a blind eye to abuses. His son, in true Foccart style, was friendly with Rwanda's genocidal leadership, among others.

This tradition only came under scrutiny in 1993, when Mr Edouard Balladur was appointed prime minister.

A technocrat with no Africa links, Mr Balladur had little time for the mutual back-scratching. Mr Juppé, then foreign minister, concurred, commissioning a telling report on corruption among Africa's leadership.

Trying to scale down its budget deficit and meet Maastricht's criteria for full European Union, Paris was finding bailing out discredited regimes increasingly tiresome. It was time, both men felt, to "normalise" relations with Africa.

Word went out that from now on, aid would go to projects rather than be pumped straight into countries' treasuries. Above all, it would only be awarded to nations meeting International Monetary Fund criteria.

It was during Mr Balladur's term that Paris finally gave in to IMF pressure to devalue the CFA franc by 50 per cent in 1994, a move regarded as overdue by economists but which for many African governments appeared to signal the start of French disengagement.

Later that year, the horrors of Rwanda highlighted the risks of over-intimacy. French support for a genocidal regime tarnished Paris in the eyes of the world. By using Zaire as a base for Operation Turquoise, Paris also owed President Mobutu Sese Seko a massive favour, and later felt obliged to resume aid to a country snubbed by the west.

Torn between "normalisation" and "the old ways", French policy, analysts say, is currently swinging from one extreme to another.

Thus, promises Paris would not intervene when mercenaries stormed the Comoros were swiftly followed by intervention. An operation in mutiny-hit Central African Republic, initially to save French lives, soon blurred into a Foccart-style initiative to keep an unpopular protegé in power.

"Chirac is caught between his old friendships and the need to move on," says Mr Antoine Glaser, who edits the African newsletter *Lettre du Continent*. "Policy is an ambiguous mixture of paternalism, moralism, friendship and business."

In the long term, the Juppé line appears more likely to triumph, as the burden Africa places on the state becomes insupportable.

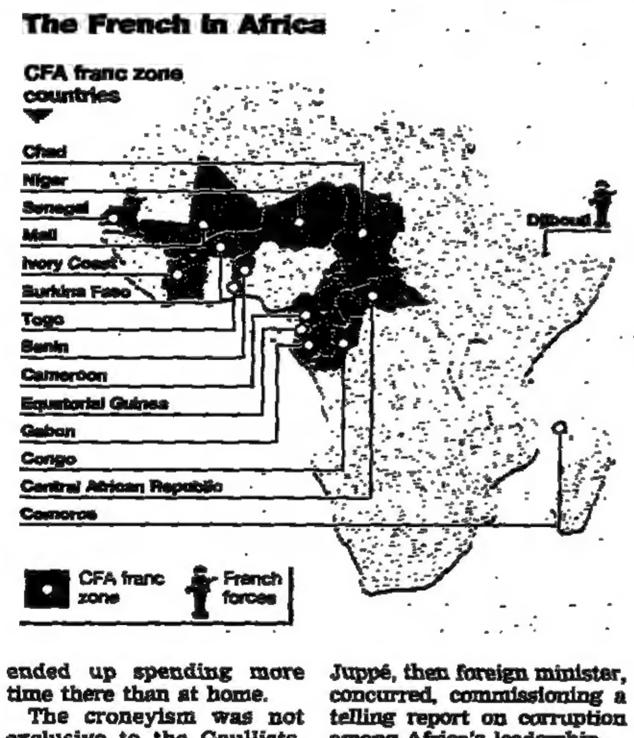
Last year Paris provided $8.4bn in aid – some 0.55 per cent of GDP – to developing countries, most of them African, compared with Britain's 0.28 per cent. A recent report on aid, commissioned by Mr Juppé, is regarded by many as pointing the way ahead.

Arguing that France's position in Africa is so strong it does not need a "special relationship" to protect its interests, deputy Yves Marchand called for an end to "tied aid" and the establishment of a level playing field when competing for contracts. Regarded as a trial balloon, the report falls in the Juppé, rather than Foccart tradition.

But for many critics of French policy, the shift will come too late. Favouring the status quo, France has associated itself indelibly with the likes of Togo's Gnassingbe Eyadema, Cameroon's Paul Biya, Zaire's Mobutu – men with blood on their hands and fat bank accounts abroad.

As was seen in Rwanda – where the new regime has nothing but contempt for Paris – young Africans are unlikely to forget France's role once such "dinosaurs" quit the stage.

"In years to come, France will be regarded by Africans as a country that abandoned them economically and at the same time failed to free them from oppression," says Mr Olivier Valle, a specialist on the CFA franc. "From the French side we've gone to a colder, saner relationship. From the African side there's a terrible feeling of disappointment."



S Africa workers claim strike victory

By Roger Matthews in Johannesburg

South Africa's 80,000 textile workers returned to work yesterday claiming victory in their week-long pay strike. A month-long dispute at the world's largest platinum mine also appeared close to full settlement.

But with the annual round of wage talks in full swing the risk of industrial action remains in other sectors of mining, the railways, municipal services and the motor industry.

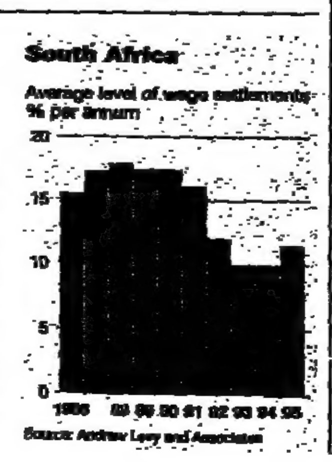
The average level of pay settlements last year was 11.5 per cent but, with inflation having eased to 7.5 per cent and the rand's 20 per cent fall against the dollar since February likely to push up costs, employers were expected to put up tougher resistance.

The textile workers claimed yesterday managements had conceded a further 1 per cent pay rise. Both sides settled on a 9 per cent rise, 2 per cent more than initially offered, and 1 per cent below the union demand.

Work was also returning to normal yesterday at the Rustenburg platinum mines where Anglo American last month dismissed all 28,000 workers after what it said were impossible demands.

Mr Tito Mboweni, the minister of labour, intervened in the dispute at the weekend following management warnings that the security situation at the mine was deteriorating. This followed the murder of a security guard, and a group of armed men intimidating workers at one of the mine hostels.

After two days of talks between Mr Mboweni, the mine managements and an unofficial workers' committee, it was agreed that the company would extend until August 16 the deadline for all dismissed workers to reapply for their jobs.



Clinton plea to US allies over Iran and Libya

By Nancy Dunne in Washington

President Bill Clinton yesterday signed a controversial bill imposing new sanctions on Iran and Libya and said he hoped US allies could be persuaded to co-operate with the measures against "two of the most dangerous supporters of terrorism in the world".

The move, which also targets foreign companies making energy investments in Libya and Iran, aroused anger – and prompted warnings of retaliation – from European allies of the US. Germany said the US was taking a "wrong path". France warned the US that the European Union would strike back.

The European Union has fiercely opposed the sanctions and threatened counter-measures. Sir Leon Brittan, vice-president of the European Commission, yesterday condemned the legislation because it "establishes the unwelcome principle that one country can dictate the foreign policy of others".

The legislation requires the US president to impose sanctions on foreign companies which invest $40m or more within a year in the energy sectors of Iran and Libya. He would be required to impose at least two sanctions from options which include:

- Import and export bans;
- Lending embargoes from US banks;
- A ban on US procurement of goods and services from sanctioned companies;
- A denial of US export financing.

Heightened tension between Iran and the US has pushed oil prices higher. Brent Blend for September delivery rose to $19.95 a barrel, up 41 cents from Friday's close, in early trading yesterday before falling back.

Signs of hope for Israel-Syria talks

By Julian Ozanne in Jerusalem

Mr Benjamin Netanyahu, Israel's prime minister, said yesterday his government had submitted a proposal to Syria to renew peace talks amid speculation about a fresh diplomatic initiative in the Middle East.

The announcement came during Mr Netanyahu's first official visit to Jordan as prime minister, and followed what he called encouraging words from King Hussein of Jordan about Syria's intention to resume the peace talks. King Hussein met Syrian President Hafez al-Assad on Saturday.

"On our side there is readiness to renew the peace negotiations with Syria," Mr Netanyahu said.

His comments fuelled speculation that Israel, the US and Jordan were co-ordinating a new initiative to revive comprehensive Middle East peace negotiations.

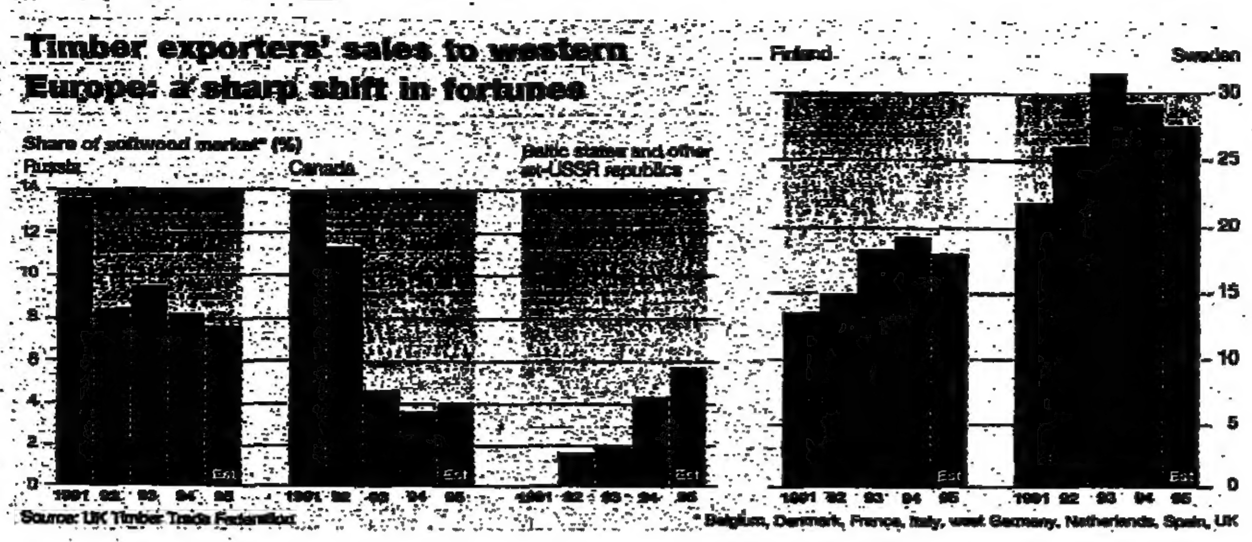
The Israeli leader said his foreign policy aide had made a new proposal to Syria through the US last Friday. This move followed Mr Netanyahu's so-called "Lebanon first" proposal whereby Israeli troops would withdraw from a south Lebanon occupation zone if pro-Iranian Hizbollah guerrillas were disarmed and Israeli border security guaranteed.

Mr Netanyahu believes the "Lebanon first" proposal, not a formal peace treaty, could build confidence with Syria. He welcomed next week's five-nation committee monitoring a limited ceasefire between Israeli forces and Hizbollah guerrillas.

NEWS: WORLD TRADE

Russia loses ground in timber shake-out

Scandinavia has benefited from the market's realignment



The collapse of the Soviet Union and the subsequent political and economic disruption in Russia have led to a big realignment of the European timber trade.

Russia's share of softwood exports to the main European markets has almost halved from nearly 14 per cent in 1991 to less than 8 per cent last year, according to figures produced by the Timber Trade Federation of the UK. The main beneficiaries have been Scandinavian countries, which have increased exports as Russian suppliers, struggling to cope with the transfer from state to private ownership, have lost ground.

Baltic states such as Latvia, Lithuania and Estonia, which previously exported little timber outside the former Soviet Union, also have seen big rises in foreign sales – mainly by replacing Canadian exports, which have been diverted to more profitable Pacific Rim markets.

The European market share of the Baltic states has risen from virtually zero in 1991 to approaching 6 per cent last year.

The countries mainly supply lower grade timber for construction and pallet and case making. Latvia last year accounted for almost 10 per cent of foreign timber sales in the UK, Europe's biggest softwood importer. Lithuania and Estonia together accounted for another 3 per cent, according to Meyer International, Europe's biggest timber merchant.

Meyer began importing Russian timber into the UK in the 1920s. It remains the biggest overseas purchaser of sawn wood in the country. Russian exports are mostly higher grade joinery timber used to make doors, windows, architraves, skirting boards and other products. Under the communist system the state agreed annual volumes, supplied the logs, then bartered or sold the sawn timber and arranged shipping, through a series of complex structures.

The mills were concerned only with producing sawn timber.

Meyer, unlike other buyers, has maintained the proportion of its imports – 30 per cent – it takes from Russia. To help struggling mills it provides money up front to enable them to purchase logs.

Mr John Dobby, its chief executive, says: "The fall in Russian production reflects the struggles going on elsewhere in a country which is trying to switch from a command to a capitalist economy while much of its infrastructure has fallen apart.

"They have no organised log supply, no money, poor transport and services, no experience of marketing and a banking and political system which is in some disarray. It is difficult to conduct business in this climate and it should be no surprise that some customers have turned to other more secure markets," he says.

Russian exports to western Europe, meanwhile, have slumped from 3.1m cubic metres in 1991 to 1.9m cubic metres last year. Low wood prices have not helped Russian suppliers which lack the balance sheet strength of Scandinavian rivals to remain competitive when prices fall.

Domestic sales also have slumped. Russian softwood production is currently running at about 24m cubic metres a year compared with 77m cubic metres in 1988 and 62m cubic metres in 1991, according to Meyer.

Andrew Taylor

EU embraces the cause of free trade

Brussels advocates liberalisation with convert's passion, writes Guy de Jonquières

Brussels trade policy-makers have long faced accusations – which they have not always rebutted convincingly – that they were out to create a "Fortress Europe", closed to the rest of the world. Now, to their surprise, they are adjusting to the novel notion of becoming leaders, not stragglers, in the drive for further global liberalisation.

Many of the European Union's trade partners will need much persuasion that it really has changed. As long as the EU continues to embrace a highly protectionist farm policy, restrict Japanese car sales and slap anti-dumping duties on cheap imports, its free-trade credentials will remain suspect.

However, there are clear signs of a shift in EU thinking. It is pressing harder than any other big trading power to beef up the multilateral trade agenda. Sir Leon Brittan, the trade commissioner, has been demanding for months that December's ministerial meeting of the World Trade Organisation prepare for a new round of negotiations to lower trade barriers.

He is urging the WTO to tackle new issues, including competition policy, investment and, more controversially, labour standards. He is also seeking stricter disciplines to prevent the global economy fragmenting into regional trade blocs, and trade measures to help the poorest countries.

By contrast, the US, Japan and many Asian countries are taking a low-key approach, viewing the WTO conference largely as a stock-taking session. "We are on the leading edge of the leading edge of liberalisation," said one Commission trade policy official.

Meanwhile, Sir Leon has successfully resisted new EU trade barriers and is working discreetly to sheathe some of its more aggressive trade weapons, such as anti-dumping policy.

US reluctance to play its role as champion of multilateral trade has encouraged Europe to fill vacuum

This drive for more open markets is particularly remarkable, when weak growth and high unemployment make it tempting for Europe to turn inwards. There seem several, closely related, reasons why it has not done so.

One is Sir Leon's personal influence as a committed liberal and a dominant figure in an otherwise largely undistinguished Commission. His position there, and in the Council of Ministers, has been bolstered by the EU entry of Finland and Sweden, whose free-trade attitudes have helped to offset the protectionist inclinations of Mediterranean members.

Another factor is the growing perception in Brussels that the US has, at least temporarily, abandoned an active international trade policy role. EU officials openly accuse Washington of dragging its feet in the WTO and on bilateral issues, such as a plan to lower transatlantic trade barriers.

US reluctance to play its traditional role as champion of the multilateral trade system has encouraged the EU to try to fill the vacuum. Its willingness to do so has grown since its unexpected success a year ago in rescuing WTO negotiations on financial services liberalisation, after the US pulled out.

More recently, controversial US legislation aimed at penalising foreign investment in Cuba, Iran and Libya has emboldened the EU to take a firm stand against Washington. Brussels has rebuked the US, not just for threatening European economic interests but also for transgressing multilateral trade rules.

The unexpectedly strong support from member states for a tough EU response in these disputes also appears to have underpinned the third, and perhaps most important, element. This is the dawning realisation that Europe needs a strong and effective WTO because it has no attractive alternatives to open global trade.

Although the EU has a web of bilateral trade links with other countries, they account for a tiny share of world trade. There are growing complaints in Brussels that European exporters have been put at a disadvantage by the North American Free Trade Agreement and fears that they will face discrimination from other emerging trade groupings, above all in Asia.

Hence the EU's growing determination to promote the WTO as the best safeguard of its own interests. True, many members still do not find concessions easy. France, for instance, balks at any public mention of further liberalisation of farm trade.

Yet EU officials say Paris accepts privately that WTO negotiations on the issue are inevitable in the next few years.

They also say Europe's often protectionist carmakers seem resigned to the removal of EU quotas on Japanese marques in 1999, as planned.

Nonetheless, there are plenty of obstacles which could throw the EU's drive for freer trade off track. Some observers think Sir Leon may be getting too far ahead of EU governments and other WTO members in pressing for a heavyweight world trade agenda.


Sir Leon: seeks new round of talks to lower trade barriers

His initiatives have yet to be endorsed by the Council of Ministers and some – such as his call for WTO discussions on trade and labour rights – risk opening divisions in the EU and with important trade partners. Furthermore, there are suspicions that his proposals for a rapid and robust EU response to controversial US trade legislation could involve an attempt to expand the EU's powers at the expense of its members.

So far, only the UK has voiced such doubts openly. However, some EU legal experts think they may be echoed by other countries, such as France, which are equally insistent on sovereign prerogatives. Such disagreements could complicate EU efforts to present a united front to the US.

Some also think Sir Leon's scathing attacks on US trade policy may have gone too far. Though they have helped rally support from EU governments, they have infuriated Washington.

Most trade policy-makers in Brussels are too buoyed up by their new-found sense of purpose to dwell on such misgivings. It should become clearer in the autumn whether their confidence is well-founded.

WORLD TRADE NEWS DIGEST

Burma hits back at European beer companies

Burma yesterday banned all imports of Heineken and Carlsberg beers in a retaliatory action against the two brewers which last month withdrew their investment in Burma. State-run radio said that the Ministry of Finance and Revenue issued an order banning the imports of beer and that they would be confiscated if they were found on sale in restaurants or stalls.

Heineken and Carlsberg pulled out of Burma following intense lobbying by human rights activists who protested against the country's human rights record.

Heineken withdrew its \$30m investment plan for a new brewery in Burma after boycott threats. Carlsberg also announced it was dropping plans to invest in a brewery in Burma.

Heineken had the largest share of Burma's beer market, with about 35-40 per cent of consumption. *Foreign Staff*

Seoul anxious on 'open skies'

South Korean government officials yesterday said it was unlikely that North Korea would allow overflights from South Korean airlines, despite its agreement with the International Air Transport Association (Iata) to open its skies to world airlines.

Iata, which represents 235 airlines accounting for some 95 per cent of all international scheduled flights, said the way was cleared last week for the opening North Korea's airspace in December.

Under the accord with Pyongyang's General Administration of Civil Aviation (Gaca), Iata will collect overflight fees to be used for upgrading air traffic control services.

Iata said its agreement with North Korea would save aviation companies operating in the region more than \$125m a year in fuel costs by reducing flying time. Analysts said that Pyongyang's move towards open skies was prompted by its desire to open its northeastern free trade zone of Rajin-Sonbong to foreigners. *Foreign Staff*

Australia, NZ in TV talks

The New Zealand and Australian television industries are reviewing the scope of access to the Australian networks following a federal court ruling that the Australian Broadcasting Authority's "local content" quotas should be changed to include New Zealand programming.

The issue has been a cause of friction for some time, and has featured in top-level ministerial talks. Australia and New Zealand have a free trade agreement – known as "Closer Economic Relations" – and New Zealand has argued that this should allow their programming to qualify as "local content" in the larger country.

ABA quota rules require that a minimum percentage of programming put out by commercial broadcasters between 6am and midnight be sourced from Australia, and that a given amount of first-release local drama is also screened. The court ruling said that the ABA standards were in conflict with the CER protocol, which states that provision of services includes "access to and use of domestic distribution systems". *Nikki Tait, Sydney*

Qatar-Japan loan accord

The Qatar Liquefied Gas Company (Qatargas) has signed a \$550m loan agreement with Export-Import Bank of Japan to finance the third gas train project at Ras Laffan, under construction by Japan's Chiyoda Corporation.

The loan will cover 70 per cent of the project's costs, with the remainder funded by Qatargas's shareholders. The 12-year loan includes a two-year grace period. The limited recourse financing agreement came 15 months after Qatargas secured \$2bn worth of Japanese financing for the first two trains on its integrated gas project.

The first train on the Qatargas development is scheduled to begin operations in September, and will be followed in early 1997 by train two. The first liquefied natural gas (LNG) carrier is due to be loaded in December this year. Qatar's offshore North Field is the world's largest single reservoir of natural gas, with estimated reserves of 7,100bn cubic metres.

It has made Qatar the third top gas power in the world after Russia and Iran. *Sean Evers, Cairo*

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	91.3
1986	105.5	100.9	6.9	98.4	95.5
1987	108.4	106.0	6.1	104.2	96.7
1988	112.5	110.7	5.4	104.9	100.2
1989	115.4	112.4	5.2	97.9	99.1
1990	116.2	112.4	5.5	82.7	95.3
1991	113.5	110.4	6.8	61.7	100.2
1992	117.2	114.2	7.4	61.8	105.0
1993	123.4	118.2	6.8	67.7	110.7
1994	130.9	125.1	6.0	79.0	112.9
1995	136.1	129.3	5.5	79.3	112.9
3rd qtr.1995	3.5	3.0	5.6	78.8	111.0
4th qtr.1995	2.0	1.6	5.5	79.4	112.9
1st qtr.1996	4.0	1.3	5.6	78.1	115.7
2nd qtr.1996		3.1		78.3	
July 1995	4.2	2.7	5.6	79.8	111.2
August	3.6	3.2	5.6	78.9	111.0
September	2.9	3.1	5.6	77.8	111.0
October	1.3	1.9	5.4	78.6	110.9
November	2.0	1.7	5.5	78.9	111.8
December	2.6	–1.1	5.5	82.5	112.9
January 1996	2.1	0.6	5.7	78.6	114.2
February	5.3	2.0	5.5	79.5	115.4
March	4.7	1.4	5.6	78.1	115.7
April	4.8	2.6	5.4	76.2	115.8
May		3.1	5.5	74.2	
June		3.5		78.7	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	76.3
1986	106.6	99.7	2.8	94.3	83.3
1987	113.6	103.1	2.8	106.3	91.1
1988	122.6	113.1	2.5	135.9	96.6
1989	132.5	119.7	2.2	147.0	98.7
1990	141.7	124.5	2.1	149.8	95.6
1991	144.6	126.8	2.1	144.2	92.6
1992	139.9	119.0	2.1	124.2	91.4
1993	131.6	113.6	2.5	106.6	96.8
1994	129.6	114.5	2.9	102.2	104.6
1995	128.6	118.5	3.1	106.5	109.1
3rd qtr.1995	0.5	1.6	3.2	105.1	107.7
4th qtr.1995	–0.3	1.7	3.3	109.9	109.1
1st qtr.1996	5.3	1.1	3.3	110.7	109.1
2nd qtr.1996		0.8			
July 1995	–0.9	2.1	3.2	104.2	108.3
August	0.7	1.1	3.2	105.8	107.0
September	1.8	1.7	3.2	105.4	107.7
October	–1.1	2.6	3.2	109.0	108.0
November	–1.3	0.9	3.4	109.6	108.7
December	–1.1	1.7	3.3	111.2	109.1
January 1996	5.6	3.0	3.4	110.1	108.9
February	4.9	3.2	3.3	114.8	109.1
March	5.3	–2.9	3.1	107.4	109.1
April		0.2	3.4	117.7	110.1
May		2.7		122.2	
June		–0.8			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	136.9	89.4
1987	107.4	102.6	6.2	149.5	90.0
1988	110.5	106.3	6.2	165.1	95.6
1989	114.2	111.4	5.6	219.5	97.7
1990	123.5	117.2	4.8	261.9	98.2
1991	130.5	117.9	4.2	297.9	95.1
1992	127.7	116.4	4.6	287.9	89.1
1993	122.3	109.1	6.1	229.0	95.1
1994	120.4	113.9	6.8	240.4	103.5
1995		114.1		267.8	100.7
3rd qtr.1995		–0.2		265.5	100.4
4th qtr.1995		–3.7		258.0	100.7
1st qtr.1996		–2.6		273.8	100.0
2nd qtr.1996		–0.5		283.8	
July 1995		1.0	6.8	270.5	100.9
August		–0.3		264.6	100.7
September		–1.3		261.3	100.4
October		–3.3		258.0	100.4
November		–2.8		261.3	100.6
December		–5.0		254.6	100.7
January 1996		0.1		265.5	100.8
February		–6.3		270.5	100.2
March		–1.4		285.5	100.0
April		–0.6		285.5	100.4
May		–1.3		283.0	
June		0.5		283.0	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	89.4
1986	102.4	101.1	10.4	107.0	95.5
1987	104.5	103.1	10.5	117.2	95.3
1988	107.9	107.3	10.0	135.3	100.1
1989	109.5	111.3	9.4	160.6	99.8
1990	110.4	112.8	8.9	163.2	95.0
1991	110.3	111.4	9.4	128.2	96.3
1992	110.5	110.0	10.4	109.5	94.8
1993	110.7	106.8	11.7	90.0	96.2
1994	110.7	110.0	12.3	104.1	101.5
1995	110.5	111.7	11.6		97.0
3rd qtr.1995	0.2	0.2	11.6		97.5
4th qtr.1995	–2.5	–2.1	11.9		97.0
1st qtr.1996	0.7	–0.4	12.2		98.9
2nd qtr.1996					
July 1995	1.6	0.7	11.8		99.4
August	–0.3	0.7	11.6		98.6
September	–0.9	–0.9	11.7		97.5
October	–3.9	–1.6	11.8		97.0
November	0.4	–2.4	11.9		97.0
December	–4.0	–2.4	12.0		97.0
January 1996	0.2	–0.7	12.1		97.5
February	2.9	0.3	12.2		98.2
March	–1.0	–0.7	12.3		98.9
April	0.0	–0.2	12.3		99.5
May		–0.5	12.4		
June					

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	88.4
1986	106.8	104.1	10.4	94.5
1987	112.1	106.8	10.9	96.1
1988	107.9	114.2	10.9	100.5
1989	116.9	118.7	10.9	98.6
1990	114.5	118.0	10.3	95.3
1991	110.9	116.9	9.8	97.5
1992	116.9	115.4	9.8	94.5
1993	114.1	113.0	10.2	101.3
1994	107.4	119.5	11.1	103.3
1995	102.8	127.2		101.5
3rd qtr.1995	–3.4	5.8	12.1	102.6
4th qtr.1995	–7.8	4.7		101.9
1st qtr.1996		0.5		98.5
2nd qtr.1996				
July 1995	–3.5	4.3	n.a.	102.7
August	–1.8	8.2	n.a.	103.1
September	–5.2	5.0	n.a.	102.6
October	–13.0	4.4	n.a.	101.8
November	0.9	4.3	n.a.	101.5
December	–10.6	5.6	n.a.	101.6
January 1996		0.9	n.a.	101.3
February		–0.4	n.a.	100.4
March		0.6	n.a.	99.6
April		–2.8	n.a.	99.1
May		–2.3	n.a.	
June				

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.2
1986	105.3	102.5	11.2	116.1	92.8
1987	110.8	106.5	10.3	141.0	96.5
1988	117.8	111.6	8.6	144.0	96.2
1989	120.1	114.0	7.2	124.3	94.6
1990	121.1	113.7	6.9	97.8	92.3
1991	119.4	109.5	8.8	68.6	95.3
1992	120.4	109.4	10.1	69.6	97.7
1993	123.9	111.8	10.4	76.5	104.6
1994	128.5	117.4	9.5	93.9	107.2
1995	129.9	120.4	8.7	107.9	105.4
3rd qtr.1995	0.5	1.9	8.7	109.6	106.0
4th qtr.1995	1.2	1.8	8.6	111.7	105.4
1st qtr.1996	2.1	1.3	8.4	111.6	105.9
2nd qtr.1996	2.8	1.1		121.3	
July 1995	1.2	2.5	8.8	106.8	106.5
August	0.4	1.4	8.7	108.1	106.2
September	–0.1	1.7	8.7	114.0	106.0
October	0.2	1.0	8.7	111.9	105.7
November	1.6	2.3	8.6	112.7	105.4
December	1.7	2.2	8.5	110.5	105.4
January 1996	2.2	1.4	8.5	109.9	105.6
February	2.1	1.1	8.4	110.3	105.9
March	2.2	1.2	8.3	114.5	105.9
April	2.2	0.9	8.4	115.6	105.6
May	2.3	1.5	8.3	120.4	
June	3.3	0.6		126.0	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Biggest drop for three and half years gives chancellor useful ammunition

Industrial output suffers big fall

By Robert Chote, Economics Editor

British industry suffered its biggest fall in output for three and a half years in June, giving the chancellor of the exchequer useful ammunition if he wishes to argue for another cut in UK interest rates.

Industrial production fell by 1.1 per cent in June, the Office for National Statistics said yesterday. It was the biggest monthly drop since November 1992 and included falls in factory output, oil and gas extraction and energy production.

The 0.3 per cent drop in factory output in June surprised statisticians who had assumed there would be no change when they drew up the estimate of economic growth in the second quarter, published last month.

Recent surveys had suggested factories might be stepping up production again. But manufacturing remains in a technical recession: with output stagnated in the second quarter following falls in the two preceding quarters.

"We have seen another delay in the second-half economic expansion," said Mr Simon Briscoe, at Nikko Europe. "The 3 per cent growth in 1996 manufacturing output, forecast by the Treasury in the summer forecast, will not be achieved from a standing start."

The statistics office estimated for the seventh successive month that the underlying trend in factory output and the broader measure of industrial production were flat.

In manufacturing, output rose in the second quarter in the textiles, chemicals, engineering and food, drink and tobacco industries. But coke, oil refining, nuclear fuels, metals and other manufacturing contracted.

Most City economists concluded the figures did not justify another cut in base rates from their current 5.75 per cent, especially as separate figures showed that cash circulating in the economy continues to grow.

The value of notes and coins in circulation grew by a seasonally adjusted 0.6 per cent in July, the Bank of England said, following a 0.9 per cent rise in June. The annual rate of increase has reached 7.1 per cent, the highest since October 1994.

The annual increase in the narrow money supply measure M0 – which also includes banks' balances at the Bank of England – fell slightly, from 7.4 to 7.1 per cent. "The continued buoyancy of narrow money in July suggests that consumer spending remains reasonably strong," said Mr Michael Saunders, of Salomon Brothers.

The Bank is expected to highlight the rapid growth of broad and narrow money supply in tomorrow's quarterly inflation report. Interest rates have been cut since the last report, but economic growth has also weakened.

Post Office loses monopoly as strikes go on

By Robert Taylor, Employment Editor

In an escalation of Britain's increasingly bitter postal dispute the government announced yesterday that the Post Office's monopoly of the letter delivery service was to be suspended from midnight last night for an initial one month period.

Mr Ian Lang, the trade and industry minister, said the decision of the Communication Workers' Union to call a further four 24-hour stoppages had left him with "no alternative". He added that if the dispute was not resolved within the next four weeks the monopoly would be suspended for a further three months.

The union's executive committee said it had decided unanimously to go ahead with today's stoppage, and call five further 24-hour strikes covering shifts over August 6-7, 14-15, 22-23 and 30-31 and September 2-3.

The union said it had hoped progress would be made on the issues of team-working and second delivery. But Mr Alan Johnson, the CWU's general secretary, said Royal Mail had refused to re-open negotiations over the weekend.

Mr John Roberts, the Post Office chief executive, called on the union executive to put the package negotiated with the union's officials and rejected by its executive to a ballot of the members. "By refusing a ballot the union is denying the very people whose future is affected by the settlement to have a say on it," he said.

He said the proposed settlement contained a guarantee of full-time employment and job security until at least 2000, a one and a half hour cut in the basic working week and moves to five day a week working, six weeks' holiday, improved training and pay rises of 5 to 37 per cent, with a new minimum wage of £5.28 ($8.23) an hour. The union executive, however, remains opposed to the principle of team-working.

Mr Roberts said the suspension of the monopoly was a "sad day" for the company. He said customers were already choosing alternative services, Royal Mail's reputation was being dented and postal workers were losing an average of £40 for every day of striking.

TNT, Britain's largest parcel carrier, said the government would have to suspend the postal monopoly permanently before the company could provide a cost-effective nationwide mail delivery service. UPS, the world's largest package distribution company, said it had no plans to offer an alternative.

● Tomorrow's strike by London Underground train drivers will go ahead after talks between the rail unions and London Transport collapsed.

Brendan Corr

First step: Gavin Casey, London Stock Exchange chief executive, yesterday on the first day in his new job. Mr Casey replaced Michael Lawrence, who left the exchange in January

Lloyd's Names win right to challenge recovery plan

By Ralph Atkins, Insurance Correspondent

Rebel Lloyd's of London Names yesterday jumped the first hurdle in challenging the legality of the insurance market's recovery plan by winning the right to a judicial review next week.

The 3,000-strong Paying Names' Action Group, representing Names – individuals whose assets have traditionally supported the market – who have met their Lloyd's commitments, hailed the High Court ruling. It said it was "a historic moment which vindicates the determination of our members".

A hearing will start on Monday and is expected to last three days. Judgment is expected well ahead of the August 28 deadline by which Names must decide whether to accept the market's recovery plan, which includes a £3.2bn out-of-court settlement offer to all Names.

Lloyd's – which rejects the action group's case – did not object to the application being heard, saying that it was "essential" that its arguments in favour of the recovery plan were transparent.

The action group argues that Lloyd's is acting beyond its statutory powers and that the recovery plan is unfair. The group says Names who paid Lloyd's debts, often by borrowing heavily, are being disadvantaged compared to those who did not, and would benefit from having debts written off.

Other rebel Lloyd's Names are considering alternative moves to block the recovery plan. One tactic being mooted is a claim that Lloyd's is breaching the European convention on human rights by insisting court awards won by Names for losses should be used to pay debts at the market.

Telephone users face numbering overhaul

By Paul Taylor

Telephone users face yet another upheaval in the national telephone numbering system at the end of the decade, as demand for numbers continues to outpace the industry's estimates.

Plans to introduce a new system of telephone codes, including new codes for London and four other big cities, were announced yesterday by Oftel, the telephone industry regulator, just 16 months after the last overhaul.

The plan drew sharp criticism from the opposition Labour party, which accused Oftel of creating a shambles. Mr Don Cruickshank, Oftel's director general, said: "Our ability to forecast the increase in numbers isn't very good."

Mr Cruickshank insisted the introduction of the proposed new codes was part of a phased overall plan and was essential to meet an explosion in demand for new numbers.

"The UK is at the forefront of the information revolution because we have one of the world's most competitive and dynamic markets in telecommunications networks and services," he said. "If we are to maintain our leading position and reap the rewards that flow from that, our numbering scheme must keep pace."

Oftel's proposals, which also include measures to sort out inconsistencies and "tidy-up" mobile telephone and other numbers such as specially tariffed services and premium rate calls, would initially mean new codes for London, Cardiff, Portsmouth, Southampton and Belfast.

He said these areas were running out of numbers and required "urgent" action within the next five years. Oftel also believes that between 25 and 30 other areas will require more numbers over the next 15 to 20 years.

News of the proposed dialling code plans – which will now be subject to a period of public consultation – received a mixed response from politicians, telephone users and business leaders who bore the brunt of the estimated £1bn ($1.56bn) cost of last year's overhaul.

Editorial Comment, Page 11

UK NEWS DIGEST

March diverted in N Ireland

The Royal Ulster Constabulary, the Northern Ireland police force, yesterday re-routed Saturday's Apprentice Boys parade by loyalists in Belfast, raising hopes that nationalists in Londonderry might drop objections to a bigger Apprentice Boys march in Londonderry on the same day.

The move came as Mr John Hume, the local MP for the moderate, nationalist Social Democratic and Labour party, met with the Londonderry Apprentice Boys and representatives of the nationalist Bogside residents' group in a final attempt to avoid the ugly clashes which broke out last month when police forced a protestant Orangemen's march through a Catholic estate in Portadown.

The secretary of the Apprentice Boys voiced optimism that an agreement could be found. Mr David Nicholl, of Ulster Community Action Network, a voluntary group which has helped mediate the dispute predicted "a compromise is in the offing." The police decision to re-route the Ormeau Road march was described as "deplorable" by loyalists.

On Saturday, the Belfast marchers together with other Apprentice Boys will be bussed afterwards to Londonderry, where there are expected to be around 10,000 supporters to mark the siege of Protestants in the city by the Catholic King James II in the late seventeenth century. *John Murray Brown, Dublin*

■ OIL TECHNOLOGY

Platform to be refloated

Phillips Petroleum says it intends to refloat its 110,000 tonne Maureen platform in the North Sea as part of a plan to sell the structure for reuse elsewhere in the world. If successful, it would be the world's first refloating of a gravity-based platform.

Executives from Phillips, a US-based oil company, said that the £550m ($858m) steel platform, which was lowered to the sea bed 155 miles north-east of Aberdeen in 1983, was designed to be refloated in one piece.

Mr Geoff Tilling of Phillips said raising Maureen, which would cost about £30m, would be "an insurable event". Phillips says the ideal solution would be to move to another site in the North Sea or elsewhere as an oil production and storage facility but it could also be modified for other uses. *Robert Corzine, London*

■ NORTH SEA

Capital spending 'to fall sharply'

Capital spending on new North Sea oil and gas projects is expected to fall sharply after the turn of the decade, according to findings published by Wood Mackenzie, the Edinburgh-based energy consultants, in its annual analysis of UK offshore trends.

A forecast fall in the number of probable projects and a decline in size of those that do emerge could cause capital spending to fall below £1bn ($1.56bn) in real terms in the early years of the next decade, it says. Total offshore capital spending last year was more than £5bn, and is expected to stay above £3.5bn over the next few years as a large number of new fields move towards production.

Wood Mackenzie said 50 new fields could receive government development approval in the short to medium term, with total development costs estimated at around £7.2bn. That is a third less than the £10.5bn which it estimated would be spent on the 67 probable fields identified last year. *Robert Corzine, London*

■ WELFARE

Benefit claims reduction trebled

More than 300,000 unemployed people have had their benefit cut during the past 12 months under stricter government enforcement of conditions for receiving state financial support.

This is the main finding of a study on the impact of performance targets introduced in the Employment Service in April 1994. It was carried out by the independent Unemployment Unit and published yesterday. The figures reflect a trebling in two years in the number of unemployed who are deprived of some benefit.

The unit says the dramatic increase in the number of jobless facing benefit sanctions results from the performance targets set for Employment Service staff. The report adds that "over-zealous managers have dramatically overshot" the annual figures set by the government to ensure they secure performance-related pay increases. *Robert Taylor, London*

■ TELECOMMUNICATIONS

Crackdown on prostitutes' adverts

British Telecommunications is to alter the terms and conditions for residential customers renting more than 20 million telephone lines in an attempt to crack down on prostitutes' advertisements in telephone boxes. About 150,000 cards are removed from kiosks in central London every week. The initiative, also supported by other telephone service operators, will result in BT being able to block the in-coming telephone calls of prostitutes who persistently place cards in payphones. *Lisa Wood, London*

Securities firms to be judged on 'risk'

By Nicholas Denton

The Securities and Futures Authority, the regulator of the UK securities industry, is developing a ratings system which marks stockbrokers and investment banks on a scale of risk from one to five.

The SFA, which issued its annual report yesterday, began categorising the firms it regulates about 18 months ago to judgehow thoroughly it should supervise them, but said yesterday that it might begin telling firms their scores.

Imro is about to begin a pilot project under which 58 firms with relatively clean regulatory records will be offered a relaxed regime of visits. Some Imro executives are thought to believe fund managers should pay a levy according to the trouble they cause.

Mr Richard Farrant, the SFA's chief executive, said: "It seems entirely proper that those firms with the highest standard and strongest compliance culture enjoy the benefits of less intrusive regulation."

The SFA already varies its capital requirements from 13 weeks worth of expenditure for investment banks, to six weeks worth for stockbrokers which only execute orders, to zero for firms giving corporate finance advice.

The frequency of the SFA's visits might vary: once every 18 months for an organisation with a score of one; but as often as once every quarter for a company marked five.

At present, the SFA requires monthly reporting of client money arrangements, but a firm with proven systems and standards would report every quarter or every year.

Tax claim time limit comes under fire

By Jim Kelly, Accountancy Correspondent

The UK government was yesterday warned that a three-year limit on businesses backdating claims for wrongly paid value added tax was probably in breach of European law and Britain's 1688 Bill of Rights, and could lead some taxpayers to break the rules.

In an outspoken letter to Mr Kenneth Clarke, the UK chancellor, the Institute of Chartered Accountants of Scotland said it had been "bombarded" with complaints about the time bar, announced on July 18.

Mr Derek Allen, director of taxation at the institute, said: "Unless it is reconsidered and withdrawn there must be concern that it could lead to reduced compliance and even rebellion."

The Institute of Chartered Accountants in England and Wales said the government's policy was "retrospective and inequitable".

The government action was a response to the growing problem of VAT refund claims from big companies, which could lead to millions of pounds of wrongly collected VAT being returned to taxpayers. Before July 18 companies winning VAT cases against the government were in theory entitled to refunds backdated to 1973, when VAT was introduced.

Details of the new three-year time bar will be published soon for inclusion in Britain's 1997 finance bill.

The Treasury said: "Clearly we have to balance the needs of business against those of the general taxpayer. This will go before parliament and it will have a chance to debate it."

Mr Allen pointed out that in pursuing enquiries the UK authorities can examine traders' tax affairs dating back six years, or 20 years in the case of serious fraud, yet the taxpayer was to be limited to three.

He said some taxpayers had spent a lot of money preparing claims going back many years. As a result, he added, some might be tempted to regain the lost VAT by bending the rules, although the institute would not condone such action. The institute wants the new time bar to be withdrawn and consultation to follow.

Mr Allen said the proposals possibly breached the government's Taxpayers' Charter, which says taxpayers can expect "to pay only what is due under the law". He said parliament had not sanctioned the reform – as it was required to do under the Bill of Rights – and that it might breach European Union tax directives.

The English and Welsh institute said refunds represented tax the exchequer was never entitled to, and while a time limit was acceptable for reasons of economy, it should be six years to match limitation law generally and Customs' own powers.

Directors' incentive schemes at odds with investors

Although the L-Tip is a popular bonus, shareholders complain it can be too complex and too generous

Confusion reigns among companies and investors grappling with the new fad in executive compensation – the long-term incentive plan, otherwise known as L-Tip.

With 57 per cent of FT-SE 100 companies now operating such bonus plans for executives, and 35 per cent of companies in the All-Share index, L-Tips are fast becoming one of the most important elements of top directors' pay.

Following a recommendation in the 1995 Greenbury report on executive pay that companies consider introducing L-Tips because they align the interests of directors and shareholders, there has been a marked acceleration in the rate at which companies have added them to their directors' incentive packages.

L-Tips typically involve executives being awarded free shares, paid for by their company, which they are able to profit from three years later only if targets – such as earnings per share performance measured against a comparator group of companies – are met.

Despite the apparent popularity of the schemes, institutional investors, who are required to approve the introduction of L-Tips at companies, have been raising serious concerns.

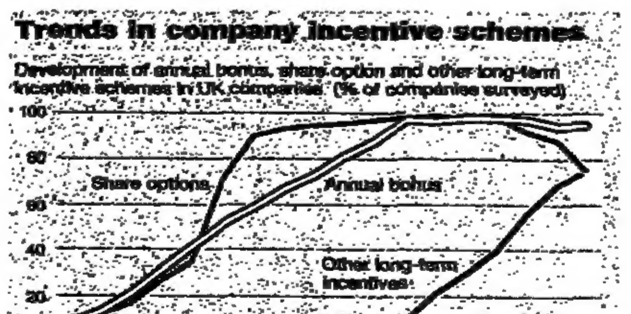
They say that the bonus schemes are becoming too complex and overly generous. Several fund managers, such as Norwich Union and Standard Life, are now routinely abstaining or voting against L-Tips at companies' annual meetings.

The controversy over L-Tips has been heightened recently by privatised water and electricity companies also seeking shareholder approval to add L-Tips to their directors' pay packages. Before the recent annual meetings of privatised companies, stakeholders such as staff and customers, and Pirc, the corporate governance consultancy, expressed dismay at the potential awards available to directors.

Yet the concern over L-Tips is not just one way. Companies complain that while shareholders know what they do not like in an L-Tip, when asked what they want, they either do not know or cannot agree.

Trends in company incentive schemes

Development of annual bonus, share option and other long-term incentive schemes in UK companies (% of companies surveyed)



Survey is of the UK's 85 largest non-financial quoted companies. Source: Towers Perrin

For example, United Utilities, the Warrington-based multi-utility which recently beat off a shareholder revolt against its L-Tip, complained that its institutional shareholders had very different views about how they wanted the scheme amended. As a result it was impossible to satisfy them all.

Companies also say that institutional investors have an inconsistent approach to voting on L-Tips. While the Association of British Insurers was willing publicly to criticise United's scheme for being "over-generous and over-complex", it did not comment in the same way on HSBC's L-Tip which could lead to executives being granted shares worth four times their salaries.

The Greenbury committee's report stated that L-Tips should be "weighed against share option schemes" but research by New Bridge Street, the pay consultancy, shows that only 15 per cent of FT-SE 100 companies no longer operate share option schemes in any form. Of the 84 FT-SE 100 companies with option schemes, only 13 per cent do not allow directors to continue to profit from options as well as L-Tip shares.

Institutional shareholders and companies both say that they want the current state of confusion surrounding L-Tips to be resolved. Some argue that more detailed best practice guidelines need to be drawn up – probably by the ABI and the National Association of Pension Funds – covering the main areas of controversy:

● **Performance measure.** New Bridge Street research shows that the most common measure used in L-Tips is total shareholder return (TSR) – share price and dividend performance combined. However, a few institutional investors, such as the Prudential and Standard Life, insist that TSR performance targets must be "underpinned" by a requirement that there has been a sustained improvement in underlying financial performance. Another common requirement is for earnings per share to have to exceed inflation by at least 2 per cent a year, but Manifest, the proxy voting agency, doubts whether this represents a challenging target for many companies.

● **Comparator group.** United Utilities' L-Tip was criticised by fund managers for using the FT-SE 100 as a comparator group. They said that the share price of privatised companies such as United is mainly driven by political events and industry regulators. Utilities should compare themselves with other utilities rather than non-privatised companies.

● **Paying out for below median performance.** The Prudential was criticised earlier this year by other fund managers for the way in which its L-Tip can pay out even if the company's TSR ranks as low as 59th among FT-SE 100 companies. New Bridge Street says that most L-Tips now require companies to rank above the median position in their chosen comparator group.

● **Size and timing of payouts.** Institutional investors say that payouts under L-Tips should not be excessive, but remuneration committees face a tough task in deciding what that means. Another issue is whether directors should have to wait more than three years – perhaps as long as five years – before receiving their shares.

Despite these areas of concern, shareholders and companies that want more detailed guidelines appear unlikely to be satisfied. New Bridge Street argues that it is "virtually impossible to draw up hard and fast rules, and it would be wrong to try and do so". Instead, remuneration committees must take responsibility to ensure that plans are properly structured and not out of line with other companies.

Another possible solution to the current uncertainty comes from the US. Professor Charles Elson, a leading US corporate governance expert, argues that directors' bonus schemes should be radically simplified. He says that executives should be paid partly in ordinary shares, or even be forced to buy shares themselves.

"The problem when you play games with numbers is that you can play games with performance," says Professor Elson. "Let's go back to incentivising and rewarding executives with stock and not make a simple idea complicated."

William Lewis

FINANCIAL TIMES
COMPANIES & MARKETS
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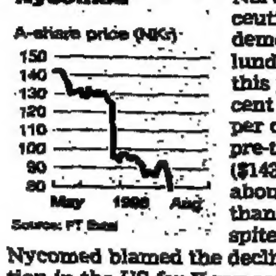
IN BRIEF

Electrolux falls as sales soften

Electrolux of Sweden, the world's largest manufacturer of household appliances, warned that demand for its products in Europe had fallen for the fifth quarter in succession. The group reported a 14 per cent fall in first-half pre-tax profits to SKr1.8bn ($274m), slightly better than expectations. Page 14

Price pressures hit Nycomed's first half



Shares in Nycomed, the Norwegian pharmaceuticals group which demerged from the Hafslund energy group earlier this year, tumbled 9 per cent after it reported a 26 per cent fall in half-year pre-tax profits to NKr678m ($143.5m). The result was about 10 per cent lower than market forecasts, in spite of a warning in June. Nycomed blamed the decline on price competition in the US for X-ray contrast agents, its biggest product range. The group's most-traded A-shares fell NKr7 to NKr79. Page 14

Hypo-Bank advances 22% to DM556m
Bayerische Hypotheken-und Wechsel-Bank reported a 22 per cent rise in first-half operating profits to DM556m ($376.2m) in spite of an increase in risk provisions and a decline in own-account trading income. Page 14

Great Eagle revives spin-off plan
Great Eagle Holdings, the Hong Kong property and hotels company, said it was renewing plans for a HK$3bn (US$387m) spin-off of its office and commercial properties projects. Page 15

GE Capital buys life group for $1.8bn
GE Capital, the financial services arm of General Electric, reaffirmed its position as one of the most active buyers of US life assurance companies as it unveiled a $1.8bn acquisition of Virginia-based First Colony. Page 16

Settlement clears way for Inco deal
Inco, the Canadian nickel producer, is poised to proceed with its C$4.3bn (US$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors. Page 16

Eurotunnel claims market share gains
Eurotunnel, the Anglo-French operator of the Channel tunnel, announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals. Page 17

Mexican gas unit to reopen after blast
Petróleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility accounting for one-third of the country's capacity. The plant was badly damaged by an explosion 10 days ago. Page 22

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Didier-Werke	107	+	5
Holzmann	375	+	8
Karstadt	547.5	+	11
MAN Pref	284.5	+	4.5
Schmalbach Lub	299	+	7
Falls			
Varta	300	−	6
NEW YORK ($)			
Rises			
AAME Finl	44½	+	2⅞
First Col	34⅝	+	4⅞
ES Ind	33¾	+	3⅛
Newmont Gold	53⅝	+	2¾
Rob Half Intl	31⅝	+	2⅛
Falls			
Commercial Int	23⅝	−	3¼
LONDON (Pence)			
Rises			
Aberdeen Steak	70	+	32
Falls			
Bluebird Toys	178	−	33
Filtronic Comtk	196	−	49
Phonelink	103	−	20
Self Sealing	25	−	10
Zotefoams	199	−	41
PARIS (FFr)			
Rises			
SGS-Thomson	180.2	+	4.2
Falls			
Eridania B-Say	732	−	18
Intertechnique	531	−	14
Pechiney Intl	97.6	−	3.4
UFB Locabail	443	−	22
Worms Cie	252.5	−	5.5
TOKYO (Yen)			
Rises			
Denny's Japan	4000	+	150
Falls			
Janome Sew	361	−	22
Kanematsu	603	−	33
Kyotaru	682	−	28
Nagasakiya	721	−	48
Yuasa	625	−	22
HONG KONG (HK$)			
Rises			
ASM Pacific	5.5	+	0.35
Oxford Prp&Fin	17.6	+	1.0
Falls			
Chuang's Intl	0.8	−	0.09
Conti Mar	1.13	−	0.07
HK Bldg & Loan	1.4	−	0.11
Ideal Pacific	1.1	−	0.09
BANGKOK (Baht)			
Rises			
First Asia Sec	85.5	+	7.5
Goodyear	352	+	32
KCE Elec	112	+	10
Krungthai Thn	111	+	10
Securities One	101	+	17
Falls			
Siam-Thai Res	20.75	−	1.75

Toronto closed. New York prices at 12:30.

UBS lifts income by one third

By William Hall in Zurich

Union Bank of Switzerland, the country's biggest banking group, increased first-half net income by a third to SFr1.1bn ($920.3m) with a surge in profits from its trading and investment banking operations more than offsetting a surprise increase in its bad debt provisions.

UBS is the first of the big three Swiss banks to report its results for the six months to end June. Its strong performance owes a lot to the "exceptionally favourable" conditions in world financial markets in early 1996.

Net income from trading rose by more than 50 per cent to SFr1.3bn, equal to three quarters of the figure for all of last year. Most of the increase came from equity and derivative trading which made profits of SFr582m.

Although the strength of the recovery has led some analysts to upgrade forecasts for the full year, UBS bearer shares fell SFr9 to SFr1,184 yesterday, in spite of a 0.6 per cent rise in the Swiss stock market.

The weakness in UBS's shares may have been partly due to its warning that results for the second half of 1996 were unlikely to be as strong. Another reason was the news that provisions, losses and value adjustments rose 76 per cent to SFr804m.

UBS said the Swiss economy was taking much longer to recover than anticipated. The bank's loan loss problems in the real estate market have now spread to its commercial customers who are "increasingly facing difficulties on an unexpected scale". The bank said it expected provisions to remain high in the second half.

Although UBS's results were clouded by the problems in its domestic Swiss business, which employs about three quarters of the bank's 29,100 staff, analysts were encouraged by the strength of net interest income which rose 14 per cent to SFr1.8bn, or almost twice as fast as the rise in total assets to SFr416bn.

The other strong feature was the 34 per cent rise in fee and commission income, to SFr2.1bn. The figures were helped by SFr218m of income arising primarily from the sale of 300,000 shares of Société Générale de Surveillance, a Swiss inspection group; 400,000 UBS bearer shares and 2.1m UBS registered shares.

Lex, Page 12; World Stock Markets, Page 32.

Pulp and paper groups, savaged by price volatility, are having a change of heart

Sector hedges its bets to gain stability

Pulp and paper executives, battered by dizzying price swings over the past three years, have launched an unprecedented search for ways to soften the boom-or-bust cycles that have long plagued their business.

The ideas swirling through the industry are a marked break from the past in a sector famed for conservative attitudes. Options, futures and other hedging instruments have suddenly become buzzwords. Companies that usually keep each other at a distance and were used to being targets of anti-competition probes are now being encouraged to share more information.

The change of heart reflects the heavy toll taken by the latest cycle. Since late 1993, pulp and paper prices have soared from their lowest in two decades to record levels then tumbled by as much as half, and most recently shown signs of edging up again.

The speed and severity of the latest cycle has cut a swathe through the industry. Mr Peter Ingram, a UK paper analyst, notes that for the first time "everyone is feeling pain at the same time". Pulp mills have seen the bottom fall out of their market. Paper mills and merchants have written down bloated stocks.

On a broader front, soaring paper prices in 1994 and 1995 encouraged conservation and substitution measures that will not easily be reversed. Mr John Buckley, president of the US National Paper Trade Association, says: "We're in a life-and-death race with electronic [information], and this market issue has put us further behind."

Moves are afoot in Europe and North America to set up derivatives markets that would enable producers and buyers to hedge future commitments, thereby offering a measure of price certainty and stability. The Finnish Options Exchange in Helsinki plans to launch an international options and futures market for NBSK pulp, a benchmark product, on September 9.

The exchange intends to offer futures contracts as well as put and call options with settlement in cash, without obliging parties to take physical delivery. The benchmark index will be based on data, updated each week, from about 30 suppliers, purchasers and agencies.

Mr Anders Lindeberg, the exchange's president, says the new market "could mean a revolution for the industry". He predicts it could challenge the notion of integration in the forestry sector which has seen pulp companies acquire paper companies to insulate themselves against volatile prices.

In the UK, McKenna & Co, a law firm, is spearheading an initiative to set up an electronic derivatives market, with pulp and paper among its maiden contracts. The tentative launch date is November 1997. The American Forest and Paper Association, based in Washington DC, says it is also engaged in "very preliminary" talks on a futures market.

On another front, pulp and paper groups are being urged to exchange more information.

A particular frustration of the latest boom and bust is that consumer demand for most grades of paper has remained relatively stable. European consumption of woodfree uncoated paper is estimated to have risen by 5-8 per cent in 1994 and 1995. Production, on the other hand, soared 20 per cent in 1994 and contracted by 1 per cent last year. Stocks have been identified as the main villain. Mr Allen Whitman, a US consultant, traces the problem back to 1993 when pulp mills were confronted with dismal prices for their products, but high costs for wood, their main raw material.

According to Mr Whitman, "the general frustration encouraged one mill to announce a pulp price increase before paper or finished product demand had increased. When paper mills found out that the pulp companies were very serious about getting a price increase, they finally began to order more pulp, even though they didn't need it."

The price scare rippled through the processing and distribution chain, to the point where, by Mr Whitman's estimate, 4m-6m tonnes of paper went into stock, about 2-3 times the normal build up.

The hope is that a wider exchange of information on industry trends would improve the efficiency of the market. Several North American industry associations plan to start publishing monthly data on merchant stocks from January. Commercial printers have been approached to share their stock figures.

These initiatives face several obstacles. Encouraging producers and merchants to share information is bound to heighten concerns about competition in an industry whose members are often accused of price collusion.

Distrust between paper merchants and manufacturers runs deep. The merchants are likely to be suspicious of any proposals that might make it easier for mills to deal directly with end-customers.

Moves to bring derivatives to the pulp and paper business are also likely to meet some resistance. According to Mr Ingram: "There's a lot of uncertainty [among companies] about exactly how it will affect their business."

Such doubts however, may be outweighed by the desire for a more stable, predictable business environment.

Bernard Simon and Greg McIvor

HSBC profits leap in first half

By George Graham, Banking Correspondent

City analysts scrambled yesterday to upgrade their forecasts for HSBC after the international banking group lifted first-half profits by more than a third to £2.32bn ($3.6bn), exceeding the most optimistic expectations.

Widening interest margins in Hong Kong lifted HSBC's main operating units, HongkongBank and its 61.5 per cent subsidiary Hang Seng Bank. The HongkongBank group reported attributable profits of HK$1.93bn ($250m) in the first six months of the year, up 25 per cent from the same period a year earlier.

In the UK, HSBC's Midland Bank subsidiary improved attributable profits by 35 per cent to £439m, with tight cost control and higher lending volumes offsetting pressure on interest margins. Profits also advanced strongly at HSBC Americas, including the Marine Midland bank in the US, and at Hongkong Bank Malaysia Berhad.

The bank's UK shares jumped 4.3 per cent to £11.64p, helped further by the announcement of a 62 per cent increase in the interim dividend to 15p per share.

The group is expected to pay a dividend of 40p per share for the year, a 25 per cent increase from 1995.

Sir William Purves, the group's chairman, said he planned to "put what is due to them in our shareholders' pockets" a month earlier than usual by announcing a second interim dividend at the end of the year in lieu of a final dividend, which would need approval from the shareholders meeting.

The steady flow of retained profits left HSBC with total capital of £23.4bn at the end of June and a Tier 1 capital adequacy ratio of 9.8 per cent – comfortably in excess both of the regulatory minimum of 4 per cent and the norm for well-capitalised banks of 6.5 per cent. But Sir William said the group had always believed in maintaining high liquidity and a strong capital base, and he felt under no pressure to reduce excess capital either by acquisitions or by buying in its own shares as other banks had done.

Lex, Page 12; Details, Page 18; Hang Seng results, Page 15

US managed health groups combine in $2.1bn deal

By Richard Waters in New York

The US's managed healthcare industry witnessed another big takeover yesterday, this time bringing together the Californian companies PacifiCare Health Systems and FHP International to create the country's fifth largest organisation of its kind.

The $2.1bn acquisition by PacifiCare reflects the same pressures which have shaped other large combinations in the sector: the need to build networks with a broader geographic reach to serve big companies and other buyers of healthcare, and the pressure to contain costs.

After the deal, PacifiCare will have about 4m members in its managed care plans.

The acquisition follows a turbulent time at FHP, which came close to buying another West Coast managed care company, WellPoint, 18 months ago. Since then, FHP has suffered stuttering growth, weakening margins and upheaval in its executive suite.

PacifiCare valued its offer for FHP at $35 a share. Half will be paid in cash, with the rest comprising a mix of PacifiCare's A and B stock. FHP's shareholders will also get the right to buy shares in Talbert Medical Management, which is being spun off from FHP. Talbert runs the company's medical and dental facilities.

At its inception as one of the US's first managed care organisations in the 1960s, FHP was conceived as a company which employed doctors and owned hospitals, as well as providing insurance cover. However, the high costs of the facilities it owns has made it uncompetitive, forcing it to buy medical services elsewhere.

The two companies, which are roughly equal in size, would have had combined revenues of $8.6bn last year, and a network that extends across 15 states. The enlarged group will be concentrated largely in Western states, though it also has an operation in Florida, where demand from retired people has created a fast-growing market for HMOs.

FHP has also been weighed down recently by a claim from the US Justice Department that it overcharged Federal employees over a five-year period, prompting the company this year to set aside $45m to settle any claims.

In early trading, FHP's shares jumped $5⅝, or 20 per cent, to $33¼, while PacifiCare slipped $2¼ to $66¼.

Details, Page 16

Pearson sells titles for £305m

By Tim Burt in London

Pearson, the UK information, publishing and entertainment group which owns the Financial Times, yesterday announced the sale of its Westminster Press newspaper business to Newsquest Media Group, backed by US financiers Kohlberg Kravis Roberts, for £305m ($475.8m).

The sale, marking Pearson's withdrawal from UK regional newspaper publishing, was agreed in spite of indications that Mirror Group was prepared to make a rival offer.

However, Mirror Group yesterday distanced itself from reports that it was prepared to offer £10m more than Newsquest for the business.

Mr Frank Barlow, Pearson managing director, said the disposal reflected Pearson's strategy of concentrating on international markets for its information, education and entertainment products.

He underlined that effort by announcing plans to acquire a further 30.3 per cent stake in Recoletos, the Spanish newspaper and magazine publisher, for £86.8m in cash and shares.

Mr Barlow said Pearson had decided to sell WP and increase its holding in Recoletos to 95 per cent because UK regional newspapers were in decline, whereas the Spanish business was expanding.

He was speaking after unveiling reduced pre-tax profits of £30.2m, against £50.5m a year earlier, in spite of sales of £939.6m, up from £780.9m, for the six months to June 30.

Pearson blamed the decline chiefly on £38.8m of operating losses and restructuring charges at Mindscape, the US software publishing company acquired in 1994 for £330m.

Pearson said most of its businesses were making good progress – particularly Penguin. Yesterday Mr Michael Lynton, 36-year-old president of Walt Disney Studio's Hollywood Pictures, was named as Penguin's new chairman.

Pearson shares rose 19p to 630p.

Details, Page 17.

Electrolux sees signs of upturn in Europe

By Greg McIvor in Stockholm

Electrolux of Sweden, the world's largest manufacturer of household appliances, said yesterday demand for its products in Europe fell for the fifth quarter in succession. However, it said there were signs that the slump was bottoming out.

Mr Leif Johansson, chief executive, said preliminary sales figures indicated a slight improvement in demand for large white goods in Europe in the second quarter, compared with the same period last year.

"We have possibly reached the bottom [in Europe] ... we are very, very cautiously optimistic when it comes to developments in 1997," he said. However, he stressed any upturn was unlikely to be rapid, and that demand in Europe was still weak across Electrolux's other product divisions.

The group reported a 14 per cent fall in first-half pre-tax profits, from SKr2.1bn to SKr1.8bn ($273.9m). This was slightly better than market expectations and helped lift the company's B shares SKr12 to SKr347.

Electrolux said a robust performance in the US helped offset weak sales in Europe, while demand had risen strongly in Latin America. Turnover outside the US and European markets doubled in the first six months, the group said.

Group sales slipped from SKr60.6bn to SKr57bn, but the fall was only 1 per cent when fully adjusted for exchange rate effects, acquisitions and divestments. Volumes suffered from the stronger krona and Italian lira.

Mr Johansson said a cost-reduction programme initiated in the second quarter would show benefits during the second half.

Operating profits in household appliances, the biggest unit, fell from SKr1.3bn to SKr1.2bn on sales of SKr36.9bn against SKr38.1bn. However, white goods sales to the US were higher because of an improved second quarter at Frigidaire, the US subsidiary.

The main disappointment was industrial products, where operating profits dived from SKr460m to SKr200m on sales of SKr5.5bn against SKr7.3bn. The decline was blamed on falling sales at Gränges, the aluminium subsidiary, amid deteriorating market conditions and lower prices.

In commercial appliances, lower sales in Italy, France and Scandinavia triggered a sharp drop in income for food service equipment, although this stabilised in the second quarter.

PROFILE

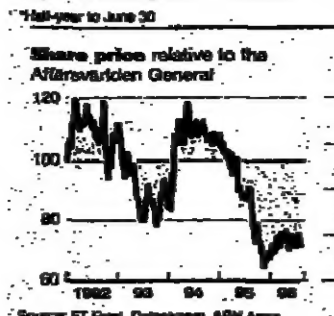
ELECTROLUX

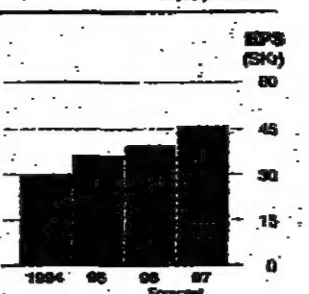
Market value: $3.6bn Main listing: Stockholm

Historic P/E	5.13
Gross yield	3.72%
Earnings per share	SKr14.1*
Current share price	SKr347

*Half-year to June 30

Leif Johansson
CEO, president





Source: FT Extel, Datastream, ABN Amro

Hypo-Bank disappoints with 22% rise

By Andrew Fisher in Frankfurt

Bayerische Hypotheken- und Wechsel-Bank yesterday reported a 22 per cent rise in first-half operating profits, to DM556m ($376.2m), despite an increase in risk provisions and a decline in own-account trading income.

The figures disappointed some analysts who had been expecting an improvement to well over DM600m. Profits on lending and on commission-based business showed healthy increases, reflecting improved mortgage business, robust securities markets, and restraint in cost growth.

But provisions were 14 per cent higher at DM639m. The bank said this did not reflect the need to set aside more money for lending risks, since loan-loss provisions had been reduced slightly. Rather, they remained high because of economic uncertainty and the impact of the domestic recession – now gradually ending – on industry, retail business and the property market.

The bank said the rise in risk provisions was the result of lower profits from the securities portfolio it holds for liquidity purposes. It did not separate these out, however. Analysts said the difference with other banks, which have reported an improved securities result, came from when such profits were booked rather than any trading variations.

Hypo-Bank's interest income was 10.5 per cent higher at DM2.25bn; mortgage business, helped by rising demand for housing finance, was 18.5 per cent higher; and normal lending business rose nearly 5 per cent. Commission income showed a 9 per cent improvement to DM446m.

Unlike its main domestic rivals, the bank reported lower financial trading income, with a 35 per cent fall to DM51m. However, it said the trading result was affected by a one-off DM27m gain in the same period last year from the sale of shares in PWA, the German paper-making company.

Hypo-Bank said costs rose 1.9 per cent to DM1.62bn in the first six months. Its goal is to keep growth in costs to 1.7 per cent over the whole year, with no rise in personnel expenses. Other German banks are also striving to lower their rate of cost increase, despite heavy spending on technology, investment banking and the restructuring of retail operations.

Pricing pressures hit Nycomed's first half

By Greg McIvor

Shares in Nycomed, the Norwegian pharmaceuticals group, tumbled 9 per cent yesterday after it reported a 26 per cent fall in half-year profits.

The group had warned in June that earnings would be well below last year's level, but profits in the first six months were still about 10 per cent lower than market forecasts. Pre-tax profits slid to NKr678m ($106.3m) from NKr915m, on sales of NKr3.99bn against NKr4.26bn, following a deterioration in the second quarter.

Investors expressed their disappointment by off-loading Nycomed stock. The group's most-traded A share fell NKr7 to NKr79.

Nycomed blamed the decline on fierce price competition in the US market for X-ray contrast agents, its biggest product range. It said rival suppliers were offering discounts of up to 60 per cent for new contracts.

However, the group said it had held its US market share in the battle with rivals, which include Bracco and Mallinckrodt of the US, and Schering of Germany. It lifted market share in Europe and Asia, but again revenues were hit by pricing pressures.

Mr Eric Cameron, senior vice-president, said Nycomed would implement a cost-cutting drive across its operations to raise profitability.

Mr Peter Smith, pharmaceuticals analyst at HSBC James Capel in London, suggested diagnostic imaging prices would continue to slip during the rest of the year and into 1997. "There is very little they can do unless the other players in the US decide to be less aggressive on price. The basic problem is that everyone has very similar products which have little to differentiate them," he said. Operating profits in the diagnostic imaging division, excluding research and development costs, were down from NKr553m in the first quarter to NKr459m in the second. The other main division, therapeutics, posted a rise in operating profits, from NKr114m in the first term to NKr129m.

Analysts said the company was suffering from a lack of operational diversity and would benefit from a partner.

Czech bank held back by growth in costs

By Vincent Boland in Prague

Komerční Banka, the Czech Republic's largest commercial bank, yesterday reported a decline in pre-tax profits in the six months to June 30, blaming higher administrative costs. Net profit, however, was unchanged on the same period last year.

Interim pre-tax profits fell to Kč3.3bn ($124.5m) from Kč4.5bn in the same period in 1995. The bank's net profit remained steady at Kč3.06bn.

Mr Kamil Ziegler, managing director, said administrative costs had risen by Kč1bn in the six months, eating into profits at the pre-tax level. The rise had also confirmed analysts' fears that the cost base at Czech banks is escalating after expansion in employee numbers and spending on technology over the past four years.

The bank's loan portfolio grew nearly 11 per cent to Kč240.6bn in the period, while provisions for bad and doubtful debts fell slightly to Kč29.6bn from Kč30.4bn. Komerční is the leading banker to Czech industry with about one-third of the market.

Primary deposits rose 9.2 per cent to Kč256.1bn, compared with a fall of 1.5 per cent in the same period last year. Total assets stood at Kč423.7bn.

Net interest income rose 5 per cent to Kč6.9bn on a net interest margin at June 30 of 3.93 per cent. Income from fees and commissions, an area Komerční has targeted as a source of future revenue growth, reached Kč4.1bn.

The results were broadly in line with analysts' expectations, and Komerční appears on target to record full-year net profit of Kč5bn.

Its share price fell Kč20 in early trading yesterday before recovering to close Kč12 higher as the Prague stock exchange reached its highest level so far this year.

NEWS DIGEST

Europe Online seeks rescuer

Buyers are being sought for Europe Online, the fledgling Internet service provider, after it was declared bankrupt by the Luxembourg commercial court less than a month after its main shareholder withdrew funding.

The Luxembourg-based company went into court administration to protect it from creditors in July, after Burda, the German publisher which controls 33 per cent, withdrew financing. The move was to give Europe Online scope to negotiate with new potential backers, thought to include CompuServe, the US on-line company; ITT, the US group; and, more recently, Deutsche Telekom. But the talks were reported to have collapsed on Friday, after which the company was declared bankrupt.

Europe Online, in which Pearson, publisher of the Financial Times, has a small stake, was founded in 1994 with the aim of providing a European-language alternative to US services such as CompuServe and America Online. But after delays and shareholder disagreements – including the withdrawal of Matra Hachette of France – it began operating last December.

CompuServe and ITT are thought to have made offers to invest in the company, but these were not fully acceptable to Europe Online's court administrators. Other investors in the company include two Luxembourg state-owned banks, and AT&T and Meigher Communications, the US telecoms groups. *Neil Buckley, Brussels*

Roussel Uclaf ahead 45%

Roussel Uclaf, the quoted French subsidiary of Hoechst, the German pharmaceuticals group, yesterday reported net income up 45 per cent to FFr1.04bn ($207.2m) for the six months to June 30. However, it warned of gloomy domestic prospects for its products. Sales were up 8 per cent to FFr8.65bn, or 5 per cent in comparable terms before the creation of joint ventures with its Hoechst parent and a reorganisation with other subsidiaries.

Pharmaceutical sales slowed in France and Japan, where the group said business conditions were difficult, compounded in Japan by negative currency effects. However, turnover was better elsewhere, with healthcare sales up 8 per cent to FFr6.5bn, fine chemicals up 11 per cent to FFr1.1bn and animal health up 10 per cent. Net income rose 14 per cent to FFr744m after excluding exceptional items. *Andrew Jack, Paris*

Amer Oy unveils revamp plan

Finnish sporting goods group Amer Oy yesterday told the London Stock Exchange it was restructuring its Wilson division to improve profitability in golfing equipment. It also said Mr Jim Reid-Anderson, Wilson's chief financial officer and acting chief operating officer, would resign this month. Golf, tennis and team sports divisions would report directly to Mr Roger Talermo, Amer president.

The statement to the exchange follows an unexplained surge in Amer's shares price, up 22.5 per cent last week to to a high of FM98 on Friday. *Reuter, Helsinki*

Sales stronger at UAP

UAP, the French insurer, said sales rose 5.4 per cent to a provisional FFr85.4bn ($17bn) in the six months to June from a year earlier. With a comparable structure and at constant exchange rates, the rise was 3.9 per cent. Revenue in non-life operations rose 3.7 per cent to FFr47.75bn, a 1.2 per cent increase at constant exchange rates and on a comparable structure basis. *AP-DJ, Paris*

هكذا من الاصل

Hang Seng advances 34% in first half

By Louise Lucas in Hong Kong

Hang Seng Bank, the listed subsidiary of HSBC Holdings and Hong Kong's second-biggest quoted bank, yesterday trumped market forecasts by reporting a 34.4 per cent rise in interim net profits, from HK$3.24bn in the first half of 1995 to HK$4.35bn (US$562m) in the same period this year.

Results were lifted by disposals of locally listed equity investments and the sale of its two New York branches to Marine Midland.

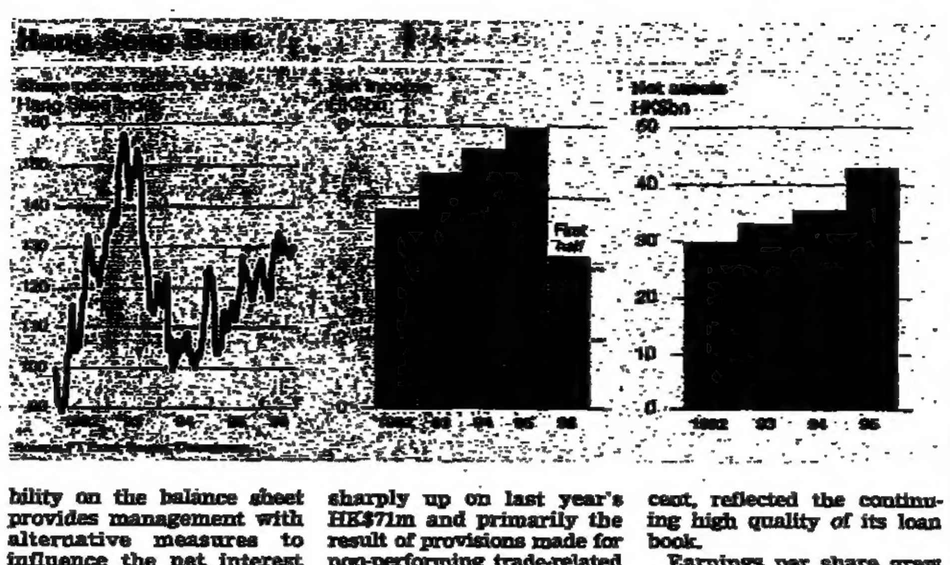
Operating profit was up 24.3 per cent, from HK$3.61bn to HK$4.49bn, reflecting a sharp increase in net interest income, substantial growth in fees and commissions, and a low cost-to-income ratio.

Net interest income increased 30 per cent, from HK$3.85bn at the halfway stage last year to HK$5.01bn, as the loan book grew and the net interest margin rose from 2.68 per cent a year for the first half of 1995 to 3.12 per cent for the same period this year.

Advances to customers, net of provisions, increased 17.3 per cent year on year, to HK$146.1bn, fuelled mainly by corporate lending and residential mortgages.

Mr Alexander Au, chief executive, warned against expecting an equally robust second half, as price competition was intensifying. However, many analysts revised their full-year forecasts upwards. Mr Andrew Brown, of Salomon Brothers in Hong Kong, who had been looking for net earnings of HK$3.97bn, reckoned the bank would "at least" maintain its net interest margin.

"Despite the negatives of a market environment which will be less hospitable to expanded margins, the flexibility on the balance sheet provides management with alternative measures to influence the net interest margin in the second half," he said.



Hang Seng Bank's provisions for bad and doubtful debts totalled HK$220m, sharply up on last year's HK$71m and primarily the result of provisions made for non-performing trade-related exposures.

But Mr Au said the ratio of non-performing advances to total advances, at 0.6 per cent from last year's 0.5 per cent, reflected the continuing high quality of its loan book.

Earnings per share grew 34.4 per cent, from HK$1.68 to HK$2.25, and the directors are proposing to double the interim dividend from HK$0.60 to HK$1.26.

Great Eagle to renew HK$3bn spin-off plan

By Louise Lucas

Great Eagle Holdings, the Hong Kong property and hotels company, yesterday said it was renewing plans for a HK$3bn (US$387m) spin-off of its office and commercial properties projects. The group will retain an interest of more than 60 per cent in the new company.

The move, two years after similar plans were abandoned, comes amid signs of an upturn in the office property market. It also follows a string of spin-offs in Hong Kong, whereby companies have hived off China property and infrastructure holdings in a bid to raise cash and realise value.

Mr Adrian Lee, assistant director at Great Eagle Holdings, said: "The new company is going to specialise in office and retail investments. That market has bottomed out and is on the rise again, which is why we have chosen this time to raise some capital. It realises value for existing shareholders, and it is also raising funds to go into further investments."

He said the earlier issue was pulled because the market weakened before it could be finalised, but bankers say there was also disagreement over calculation of the company's net asset value. Nonetheless, Mr Lee expects the line-up of lead underwriters to be "similar" to last time when the roster included Peregrine Investments, Credit Suisse First Boston and Goldman Sachs.

The new company will include all retail space attached to offices, which takes in the ground floor at the company's key money spinner Citibank Plaza. Mr Euan Weir, analyst with Merrill Lynch, estimates 88 per cent of Great Eagle's 1996 rental income and 60 per cent of the value of its portfolio come from the Hong Kong office market.

Great Eagle's share price climbed 3.78 per cent to close at HK$23.35, from Friday's $22.50. It is trading on a discount to net asset value of about 37 per cent compared with an industry average of 25-30 per cent. The company plans to channel funds into a 1.8m sq ft urban renewal project being carried out in a densely populated pocket of Kowloon, as well as forthcoming investments.

HDFC approves 20% more loans

By Tony Tassell

Loans approved by India's Housing Development Finance Corp, the country's largest provider of housing finance, totalled Rp8.52bn ($230m) in the period from April to July, an increase of 20 per cent on the Rp7.13bn achieved in the same period last year.

Mr Deepak Parekh, HDFC chairman, said it planned to raise Rp200m through an issue of non-redeemable, non-convertible preference shares.

These were likely to have a maturity of 5 to 7 years with a coupon rate of 12.5 to 14 per cent. The corporation, which runs a retail banking joint venture with NatWest Markets, ruled out any equity dilution this year.

The value of loans issued over the period had risen by 26 per cent, from Rp4.49bn to Rp5.67bn. Deposits rose by 17 per cent to Rp29.45.

Parekh said the HDFC's new office in Dubai had made a strong start with 40 loan approvals in the first two months of operation. The average loan was Rp700,000.

The fall in Bombay property prices would have little effect on the group's profitability, said Mr Parekh. Most of the downturn had been felt in inner suburbs of the city while most of the HDFC's loans were in the outer areas.

Modiluft in collaboration talks

By Tony Tassell

Modiluft, the Indian domestic airline, is holding talks with several international airlines over a possible alliance or joint venture.

A deal could include the leasing of aircraft, an equity investment by the foreign airline, and a technical collaboration, Modiluft said.

"We are open to a package deal." But the company would not comment on reports that British Airways and United Airlines had been in talks aimed at building closer marketing and management ties with the Indian group.

A deal would not affect control of the company. Mr Suresh Kumar Modi, chairman, currently holds 56.12 per cent of Modiluft and would retain a majority stake in the company.

The balance is held by financial institutions, expatriate Indians and the public.

Lufthansa, the German airline, withdrew from a three-year technical collaboration agreement with Modiluft earlier this year following a dispute over payment for three Boeing aircraft leased to Modiluft.

The Indian group has suspended its threat to take legal action seeking $100m in damages from Lufthansa for breach of contract.

"We want to resolve things amicably through negotiations," the airline said.

● PAL-Peugeot, the Indian car maker, will close its plant at Kalyan near Bombay on August 16.

The company blamed poor productivity for the closure, saying workers had failed to meet agreed targets. The plant, a joint venture between India's Premier Automobile Ltd (PAL) and Automobiles Peugeot of the PSA Peugeot Citroën Group of France, builds Peugeot 309 and Premier 118NE models.

Under the terms of their agreement, workers have to produce 16 309 models and 60 Premier 118NE models each day, but are seeking more pay for more productivity.

Ital-Thai finds a novel way to achieve expansion

The international airport in Mandalay does not inspire confidence. From the muddy car park, passengers walk a rickety wooden footbridge to a small unkempt terminal where overhead fans circulate more flies than air. Walking to their aircraft, they are seperated from the spinning propellers by nothing more than a red rope.

This is certainly not the image Burmese authorities wish to portray as they prepare for an influx of travellers during national tourism year, which begins in November. But barred from receiving low-cost loans from international organisations, Burma also lacked the $150m it will take to rebuild and enlarge the airport.

A way out of this impasse has now been found by Italian Thai Development, one of south-east Asia's largest contractors, with the help of concessional financing from Thailand's Export-Import Bank.

In coming months, Ital-Thai is due to begin work on the Mandalay airport. Its strategy of combining a bid to construct the new airport with the promise of cheap financing for the Burmese government has enabled the company to avoid a costly bidding war for the project which would have driven down margins.

The company also hopes to sign a similar agreement to build a $150m dam on the Mae Kok river in Burma's Shan state.

Ital-Thai's willingness in Mandalay to help provide both financing and construction expertise is proving successful for the company in other south-east Asian countries as it expands its order book beyond the saturated Thai infrastructure market.

Contracts for dams in Laos, telecommunications in Vietnam and land reclamation in the Philippines have been won not through open bidding, but because of the company's willingness to take minority equity stakes in big projects.

"We want to grow 15 to 20 per cent annually," explains Mr Chatichai Chutima, vice-president of finance at Ital-Thai. "We're afraid that if we stay in Thailand to reach that goal we will have to cut costs and margins."

Expanding beyond its national border has forced the company to complement its core building business with the role of a developer, able to deal with governments and arrange financing. This can involve an element of risk, says Mr Chatichai. "If we make an investment then the main developer feels he has to give us the contract. Investing Bt200m is worth it if you can get a Bt6bn ($240m) contract."

In its local market, Ital-Thai has a record of becoming an equity partner in order to win high-margin turnkey projects. Via equity stakes, the company has won contracts from the Bangkok Transit System Skytrain, Exchange Square, Thai Telephone & Telecommunications, and Pta Daeng Office Complex.

The company also hopes to avoid problems encountered by other Thai corporations which have invested overseas, where the security of Thailand's tight-knit Sino-Thai business community is often absent.

In the Philippines, for example, the company has entered a joint venture with prominent Chinese filipinos. It holds a 30 per cent stake in a $300m project to develop a third terminal at Manila's Ninny Aquino International Airport with Asia Emerging Dragon Corp, a consortium of Chinese tycoons which banded together at the request of President Fidel Amos. The company expects to win a construction contract worth between $150m and $200m.

Ital-Thai also has a 38.4 per cent holding in Amari Coastal Bay Development, a 750 hectare land reclamation project in Manila, with overseas Chinese investors including the Hong Leon Group of Malaysia and Bangkok Bank and City Realty, both owned by Thailand's Sophonpanich family.

The infrastructure operations in Laos and Vietnam highlight some of the risks of this strategy. In Laos, Ital-Thai's hopes of securing a $320m contract via an equity stake in the $1bn Pam Then 2 dam are fading as environmental concerns and financing risk threaten the project.

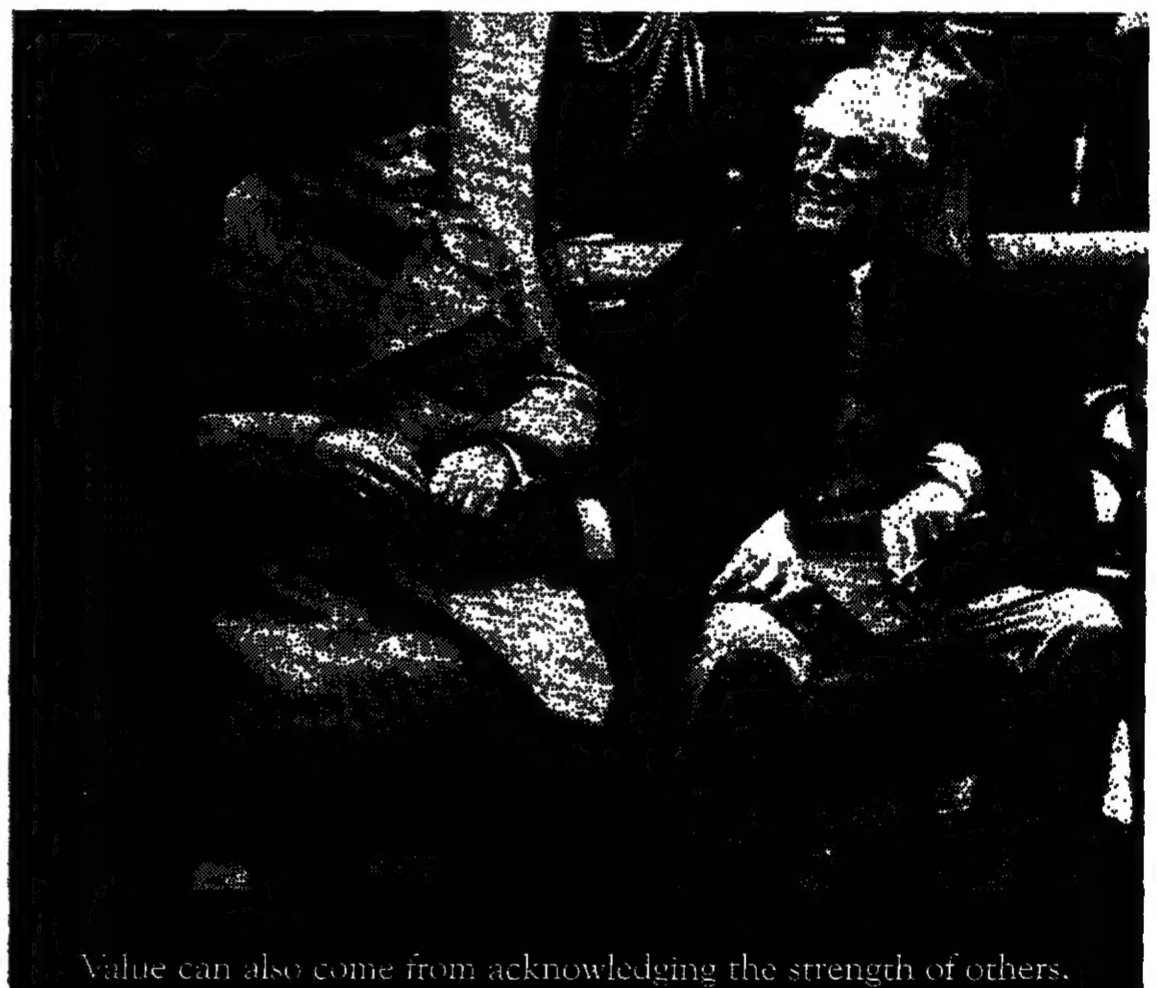
Its stake in another venture, the $5.3m Pan Gum 3 dam, has been cut in order to utilise equipment already in use at Laos and dilute risk. Ital-Thai already has lucrative minority stakes in beer and soft drink production in Laos.

In Vietnam, the future of its joint venture with the Ministry of Defence and Jasmine of Thailand to build and operate telecommunications services is unclear, according to Mr Chatichai. "It's moving real slow and is quite a mess."

In the face of such problems, the company does not rely on realising a profit from its equity stakes. Instead, it plans to draw out of these developments within five years of completion – a strategy which enables the company to concentrate the control of its contracting work in Thailand.

But although it has chosen not to set up an international contractor, Ital Thai has begun to evaluate the projects it gets involved in differently. "We are looking at countries' priority projects. The Philippines and Burma both took less than a year to negotiate. That's quite quick because they are things they have to finish. That way the process moves faster."

Ted Bardacke



GE Capital spends $1.8bn on First Colony

By Richard Waters in New York

GE Capital, the financial services arm of General Electric, yesterday reaffirmed its position as one of the most active buyers of US life insurance companies as it unveiled a $1.8bn acquisition of First Colony, a company based in Lynchburg, Virginia.

The agreement follows a decision by First Colony's board two months ago to put the company up for sale. Before talk of a sale began to emerge, the company's stock was trading at below the $28 at which it was floated on in 1992, putting its directors under pressure to find a way to lift its share price.

The acquisition will add $11bn of assets to GE Capital's annuity and pension operations, which are centred around its GNA subsidiary.

Mr Michael Fraizer, senior vice-president for investment products, did not rule out further acquisitions by GE Capital, but said the company would now concentrate on expanding its existing insurance operations.

The acquisition of First Colony will reinforce GE Capital's range of products in three areas where it is not presently strong, Mr Fraizer said.

These are: structured settlements, which are annuity-like contracts bought by recipients of court awards or disability settlements; retirement annuities; and term insurance.

In an industry where size – and low unit costs – are coming to assume increasing importance, the addition of $11bn of assets will also reinforce GE Capital's position as one of the low-cost producers of the US life insurance business.

Besides adding to its asset base and product range, First Colony will also extend the number of GNA's sales channels, Mr Fraizer said. Most of its sales are conducted through general agents, while GNA achieves a large proportion of its sales at present through banks.

The fact that there is little overlap between their products and distribution channels means that the operations of First Colony and GNA will not be integrated immediately after the acquisition, although Mr Fraizer did not rule out such a move at a later stage.

GE Capital said it would pay $36.15 a share in cash for First Colony, and expected the deal to close by the end of this year.

Among other recent acquisitions, the GE unit paid $960m for Life Insurance Company of Virginia, a former subsidiary of Aon, which brought it $9bn of new assets. And a year ago, it bought Amex Life, a unit of American Express which had assets of $1.6bn.

GE Capital is also thought to be studying the acquisition of one of the US's biggest reinsurance companies, American Re. Its existing reinsurance unit, Employers Re, ranks second in the industry in the US to General Re.

Falling profits speed consolidation of HMOs

This is not turning out to be a happy year for the US's managed healthcare companies.

An erosion of profit marginshas come as a nasty surprise on Wall Street. Politicians across the nation, prompted by complaints from patients, have hit back with new regulations.

For the companies, which this decade have been in the vanguard of the US's successful assault on medical costs, this has made for an uncomfortable few months.

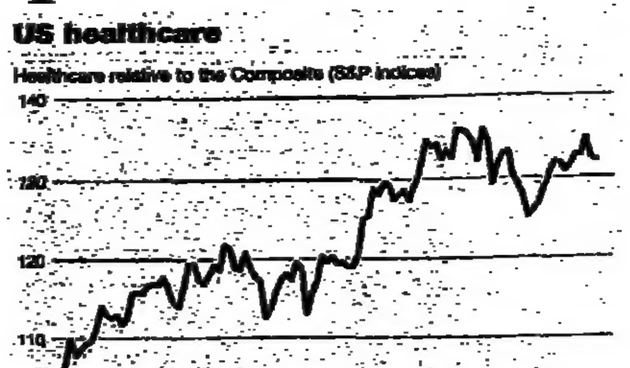
There is one thing, however, that has not changed: the pace of consolidation that is transforming the industry. Over time, this may prove to be the best way for the managed care companies to reinforce their faltering profit margins. But it seems unlikely to win them back friends in state legislatures across the country, or in the boardrooms of companies that pay their premiums.

Yesterday's $2bn acquisition of FHP International by PacifiCare Health Systems gave a lift to the share prices of managed care companies at large. The gradual thinning of the ranks of large, publicly-traded companies that run health maintenance organisations leaves progressively fewer to be acquired, raising the stakes for those that remain. Meanwhile, the wholesale purchase of small HMOsreflects the seemingly unstoppable spread of the biggest groups.

For the stock market, this is undeniably good news. Managed care companies have been tremendously successful at containing healthcare inflation – their medical costs are growing at only around 3 per cent a year, compared with the 13 per cent growth still being seen in traditional health insurance companies, says Mr Kenneth Abramowitz, a healthcare analyst at Sanford C Bernstein.

The trouble, as Mr Abramowitz adds, is that their prices have not been growing at all.

This bad news on profit margins has been delivered in a series of company announcements.Health-



source, one of the industry's biggest companies, turned in bad first quarter earnings and has since suffered a 70 per cent share price slide. Humana issued a warning about its rising medical costs in early June and saw its shares lose a fifth of their value in a single day.

Then, in early July, it was the turn of United Healthcare, the country's biggest managed care company. Its shares dropped on news of rising medical costs, shedding 30 per cent of their value in a single day, and have since made up only a third of that loss.

These announcements have highlighted two problems. One concerns prices: the competition for new customers has become intense, reflecting the success HMOs have already had in signing up most of the big corporations whose healthcare bills make them the most obvious customers. To win new customers, HMOs are now having to fight on price.

They are also being forced to offer a wider range of services, in turn lifting their costs. Pressure from local politicians is also nudging HMOs into ensuring that patients are given access to a wider range of services.

FHP has been among the industry's laggards: its growth rate has slowed at the same time that it has been forced to cut premium rates. Also, it has suffered from running its own, inefficient medical centres. To reinforce its earnings, the company has already moved to separate the medical centres into a new entity and has hacked back its workforce by 15 per cent over the last 12 months. PacifiCare, with a better record of growth and cost control, should accelerate these changes.

The new company will also be a leader in the corner of the US managed care market which has the best growth prospects: insuring retired people. As the Medicare programme for the elderly comes under pressure, the flow of elderly people into managed care plans is likely to increase markedly. Even with the political uncertainty caused by Washington's efforts to control Medicare costs, the high profits in serving the elderly make this a highly attractive market. Of 4m customers after the FHP acquisition, PacifiCare will have about 1m in Medicare.

Eventually acquisitions like these are only likely to rekindle stock market enthusiasm for the managed care companies if they bring a return to higher profit margins – something that will depend in part on a return to higher prices.

That is already detectable, says Mr Abramowitz, as the biggest HMOs start to win back pricing power as their market shares rise. As a result, the stock market rout may finally be over: but HMOs are unlikely to soar back to the top in any political popularity contests.

Richard Waters

Pharmacia sales unchanged

By Daniel Green

Problems in Japan and the US, and with currency movements, left second-quarter sales at Pharmacia & Upjohn, the US-Swedish drugs company created by a merger last year, barely changed at $1.8bn.

But cost savings as a result of the merger boosted net profits, before restructuring costs, to $269m from $240m.

Earnings per share grew 11 per cent to $0.51 for the quarter ending June 30 1996. This excludes merger and other non-recurring costs of $187m, or $0.31 a share.

First-half net sales grew 2 per cent to $3.51bn, compared with $3.45bn in the first half of 1995.

Mr Bob Salisbury, chief financial officer, said sales had been affected by the strengthening of the dollar. Sales rose 4 per cent if currency effects were excluded.

He said the company's sales growth was still being held back by competition for products whose patent had expired in recent years. Sales of recently launched products had yet to make up the gap. The figures had also been affected by compulsory price cuts in Japan.

But he said that launches in the US of Xalatan, for glaucoma, and Camptosar, for cancer, would help lift growth from the end of the year. Mr Salisbury said that merger savings had reduced operating costs' percentage of sales from 84 per cent in 1995 to 79.5 per cent now. The target was 76 per cent by 1998, equating to $500m a year in savings. More than half the savings were coming from sales and administration.

Inco to go ahead with deal

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, is set to proceed with its C$4.3bn (US$3.12bn) takeover of Vancouver-based Diamond Fields Resources following the settlement of a lawsuit brought against Diamond Fields by a group of Texan investors.

Diamond Fields, whose main asset is the vast Voisey's Bay nickel, copper and cobalt deposit in eastern Labrador, has agreed to pay US$25m to the Texas group, known as Exdiam.

Diamond Fields' co-chairman, Mr Jean-Raymond Boulle, was at one time a shareholder in Exdiam. His former partners alleged that he diverted business opportunities from Exdiam to Diamond Fields which helped it finance the Voisey's Bay discovery. They originally claimed a share in the Voisey's Bay property.

Diamond Fields contended that the suit, which emerged only after Inco's agreed bid in March, was designed to exert maximum pressure for a substantial cash settlement. Inco said it would not finalise the deal until the dispute was resolved.

Inco would have been at liberty to walk away from the deal or propose a new offer if a settlement had not been reached by August 31.

Mr Boulle further agreed to dismiss his $207m Texas lawsuit against the Exdiam litigants "in order to permit the merger to proceed".

Inco said yesterday it would move to complete the deal as soon as possible, and expected to announce a closing date within the next week.

New Brunswickers play guessing game over Irvings


Although K. C. Irving died in 1992, his will is still secret

Saint John, the commercial hub of the Canadian province of New Brunswick, is a rarity in the cut-throat world of North American business. The city's shipyard and oil refinery (each the biggest in Canada), its daily newspaper, the bus company, the three pulp and paper mills on the outskirts of town, most service stations and hardware stores, and much else besides, all belong to one family: the Irvings.

The Irvings' reach extends well beyond Saint John. They own 2.5m acres of forest in rural New Brunswick, and have cutting rights to about the same area of land owned by the province. More than 1,000 Irving Oil service stations dot eastern Canada and New England. The family owns New Brunswick's biggest home builder, several long-distance trucking companies with hundreds of vehicles, and one of Canada's leading potato producers.

Based on a rough calculation, the Irvings' publicly-disclosed assets are worth about C$4bn (US$2.9bn).

One thing is certain, however. The Irvings, like several of Canada's other close-knit business families, are in the middle of a transition period that will determine the future stability of their empire.

The family patriarch, Mr K. C. Irving, died in 1992 at the age of 93, almost 60 years after acquiring his first Ford dealership in rural New Brunswick.

The contents of his will, like most other things about the Irvings, are a closely-guarded secret.

The various Irving businesses are now run by KC's three sons, Jim (also known as JK), Arthur and Jack. The brothers, known to locals as Oily, Greasy and Gassy, are all in their 60s.

Five of KC's six grandsons, mostly in their 30s and 40s, are also in the business. The first member of a fourth generation of Irvings has recently surfaced as a journalism trainee at the Saint John Telegraph-Journal.

Mr Jim Irving Jr, KC's oldest grandson, says: "We all operate in our own areas, but we work closely together."

In keeping with the family's reputation as ferociously hard workers, Mr Irving adds: "Any meetings are very informal. We're more concerned with getting the job done and keeping things running. If anyone wants to do business Saturday night or Sunday morning, we're open for business."

New Brunswickers grudgingly acknowledge that the Irvings have brought capital and jobs to the province that might otherwise have gone elsewhere. "They do so much for the province," says one retired politician. "The question is whether we'd be better off if there was more competition."

Mr Frank McKenna, the province's premier, generally echoes the sentiment that the family has been good for New Brunswick as a whole. But he says their overwhelming presence in Saint John may has stunted the growth of small business there. "They haven't allowed sunlight into the undergrowth," Mr McKenna says.

At the same time, however, the Irvings appear to sense their limitations. Their assets are confined almost entirely to the relatively isolated markets of Atlantic Canada and New England.

Mr Kenneth Irving, one of KC's grandsons, told the Saint John Telegraph-Journal last month that "we go where the blueberries aren't quite as thick and that's where we do our picking".

The family has recently shown signs of straying from that rule. Irving Tissue last month signed a deal with Kimberly-Clark, the US paper group, to buy a paper mill near Albany, New York, as well as marketing rights throughout the US for Scotties facial tissues. Scotties has a roughly 6 per cent share of the US tissue market.

The fate of the Irving fortune as KC's three sons approach old age is a perpetual guessing game in Saint John.

In theory, JK, Arthur and Jack are equals, each running separate parts of the business. There is little doubt however, that JK, aged 67, is *primus inter pares* with far wider responsibilities than his younger brothers. A person close to the family describes him as "the last Irving with vision and balls".

However, JK's older daughter, Mary Jean, who is president of Indian River Farms, a potato producer on Prince Edward Island, has emerged in recent years as a forceful entrepreneur. Outsiders' eyes are also on 35-year-old Kenneth who helps his father Arthur run Irving Oil.

The family also relies on a group of hard-working, loyal and faceless managers. These could play a crucial role in keeping the Irvings' businesses on an even keel as the family's control moves from one generation to the next.

Bernard Simon

Eurotunnel claims market share gains

By Tim Burt

Eurotunnel, the Anglo-French operator of the Channel tunnel, yesterday announced a sharp rise in monthly passenger and vehicle numbers and claimed further market share gains from its ferry rivals.

The company, which is locked into debt restructuring talks with its banks, said the number of tourist vehicles carried on its Le Shuttle service had more than doubled last month to 284,393 from 112,060 in the same period last year.

"We are taking business from the ferries and creating new traffic demand," Eurotunnel said.

Rival operators P&O European Ferries, however, said the entire cross channel market for tourist vehicles had grown 21 per cent in July on the short sea routes.

Mr Russ Peters, deputy managing director of P&O European Ferries, said Eurotunnel's share of the market had been inflated by price cuts on its services.

"It will be interesting to see what price structure they work to when the company has to return to the real world on making a profit," he added.

Eurotunnel said freight traffic had increased year-on-year from last July's 37,126 trucks carried to 53,978, with railfreight tonnage rising from 158,332 tonnes to 214,141 tonnes.

The number of passengers carried on Eurostar services, meanwhile, rose from 306,027 to 529,330, taking the total so far this year to 2.76m.

Eurotunnel's share price in London, however, failed to react to the news. It was unchanged at 101p. Most City analysts said the shares were unlikely to react until the current debt renegotiation talks were completed.

The deadline for reaching a deal rescheduling Eurotunnel's £8.4bn of debt was last week extended to the end of September.

On analyst said: "It may be true that Eurotunnel has captured 50 per cent of the market. But even if it had 100 per cent, the company would probably not be able to service the debt that it has accumulated."

Purchase will double Newsquest

By David Blackwell

Newsquest, owner of 120 UK regional newspapers, yesterday effectively doubled in size with the £305m ($476m) cash acquisition of Westminster Press, the regional newspaper group.

Pearson, the information, publishing and entertainment group that owns the Financial Times, put the company up for sale on June 25. Westminster Press assets were valued at £56.4m at the end of last year, and Pearson estimates that the sale will yield a profit of about £238m.

Newsquest is backed jointly by Kohlberg Kravis Roberts, the US investment firm, and CinVen, the UK venture capital group. Mr Jim Brown, chief executive of Newsquest, said: "We think we paid a fair price – I'm not suggesting we ran away with a bargain."

Pearson's interim results yesterday showed that Westminster Press had operating profits of £16.2m (£4.2m) in the six months to June 30. The selling price represents a prospective exit multiple of about 14 times, or just above the market average.

Newsquest said the combined businesses would have annual sales of more than £280m and assets of more than £500m.

Earlier this year KKR backed Newsquest in its £205m management buy-out of local newspapers from Reed Elsevier. Yesterday the US group was joined for the the first time by CinVen, which had previously been seen as a front-runner to buy Westminster Press outright.

Mr Alexander Navab, of KKR, said that a lot of value had been created within Newsquest already. He dismissed suggestions of a flotation in a couple of years, pointing out that KKR's average investment was for seven years.

Mr Brown dismissed any suggestion the regional newspaper business was in decline as "a nonsense". People had said radio would kill papers, then television, and then cable – but it had not happened.

The deal is not expected to be concluded until the end of this year, as it is subject to consent by the Monopolies and Mergers Commission.

Hollywood head for Penguin

Alice Rawsthorn on Michael Lynton's 'opportunity of a lifetime'

There are two salient features in the choice of Mr Michael Lynton as chairman and chief executive of Penguin.

One is his age. At 36, he will be the youngest head of one of the world's largest book publishing groups. The second factor is that he is joining Penguin from a Hollywood movie studio, rather than another book publisher.

Mr Lynton, who orchestrated such box office hits as *The Rock* and *Dangerous Minds* as president of Hollywood Pictures, one of Walt Disney's film production subsidiaries, seems sanguine on both fronts. "I've always admired Penguin as a company," he says. "It seemed to be the opportunity of a lifetime – my dream job."

For Pearson, Mr Lynton's youth forms part of an ongoing policy of rejuvenating its senior management. As Lord Blakenham, chairman, pointed out yesterday, all but one of the group's operating companies are now run by chief executives.

Mr Lynton's experience at Walt Disney, where he ran its book and magazine publishing division before moving to Hollywood Pictures, also fits into Pearson's strategy of diversifying beyond newspaper and book publishing into other media.

In practical terms Mr Lynton, who was born in the UK, but brought up in the Netherlands and the US, believes that aspects of his film production experience have a direct relevance to book publishing.

Strategically it makes sense for Penguin to have a chairman with experience stretching beyond the boundaries of the traditional book trade. "Given the speed with which book publishing is converging with films, television and other areas, it's clever of Pearson to choose someone with multi-disciplinary experience," says Ms Lorna Tilbian, media analyst at Panmure Gordon.

It could also be argued that it may be less daunting for Mr Lynton to take over from his predecessor, Mr Peter Mayer, than it would be for a career publisher. Since Mr Mayer took charge of the lossmaking Penguin in 1978, reputedly with the fattest salary in the book trade and *carte blanche* to do what he wanted, he has transformed its financial fortunes and turned himself into a publishing legend.

He first hit the headlines for allegedly sullying Penguin's reputation by publishing *The Far Pavilions* with a smoochy kiss on the cover and by rushing out paperback versions of five of the six books on the Booker Prize shortlist weeks before the awards ceremony. Mr Mayer, now 60, is retiring from Penguin to run a family publishing firm with the coup of selling 24m copies of the 60p Penguin 60 series (an idea he hatched to mark the company's 60th anniversary after spotting a 100 peseta pocket book series in Spain) and having steered Penguin back to profits growth after a disappointing year in 1995.

Michael Lynton: just a little daunted by the move

Mr Lynton says he is "very conscious" of the Mayer legacy and of Penguin's heritage. "From the age of eight to 18 I was in our local book store twice a week buying Penguin classics, so I grew up looking at them on my shelf," he recalls. "It is a little daunting."

However he does have the advantage of arriving at Penguin from Disney, a company with an equally strong, if very different corporate culture. Mr Lynton says it is "too soon" to discuss his plans for Penguin, but he does feel there may be scope to develop the brand as Disney has done under the chairmanship of his old boss, Mr Michael Eisner.

"When Michael Eisner and Frank Wells (former president) came to Disney they were cognisant of what the name meant in American culture and had a deep understanding of it," he says. "Penguin is the only international brand in book publishing. It may be possible to develop a brand like that in unexpected ways, as they did at Disney."

Mindscape loss hits Pearson

Pearson yesterday announced a sharp fall in first-half profits, as provisions and operating losses incurred at its Mindscape multimedia subsidiary dented an otherwise robust performance by the information, publishing and information group, writes Tim Burt.

The company, which owns the Financial Times, said it had been hit by losses and restructuring charges of £38.8m at Mindscape.

That pushed pre-tax profits down from £50.5m to £30.2m ($47m) in the six months to June 30. Sales, however, rose from £780.9m to £939.6m.

Lord Blakenham, chairman, said: "Our progress is obscured by the Mindscape losses, but management action there is well under way and does not distract us from the important task of driving Pearson forward."

The sharpest improvement was recorded by the information division where profits rose by 45 per cent from £37.6m to £54.4m.

The education division, reported increased operating losses of £22.4m (£15.9m), while there were losses of £6m (£38.1m profits) in the entertainment division.

Virgin Atlantic talks with BWIA

By Bernard Gray

Virgin Atlantic, the airline owned by Mr Richard Branson, is in talks with the Caribbean airline BWIA about a possible alliance between the two carriers.

The talks follow an approach to Virgin by BWIA, and are aimed at strengthening the Caribbean carrier's position against British Airways, its main competitor on routes to London, and American Airlines, which flies short haul routes from the US to the Caribbean.

Talks are at an early stage, but Virgin has proposed a number of possible ways in which they could co-operate.

These include code-sharing, which would allow either company to book passengers on to each other's aircraft, through operating aircraft on the same routes, to Virgin taking a 27 per cent equity stake in BWIA.

An alliance would help both companies, as Virgin has strong routes into Florida and has a large Caribbean holiday business which BWIA would be able to feed into. BWIA would increase Virgin's access to routes in the region allowing it to expand its holiday business. However, agreement on any move is some months away.

The talks are not a prelude to a series of deals with smaller airlines by Virgin, which has its principal code-sharing alliances with Delta of the US and Malaysian Airlines.

BA rift with USAir widens

By Ross Tieman

British Airways lifted pre-tax profits 11 per cent to £150m ($234m) in the three months to June 30, as travellers took to flying further, and first and club class seats improved in popularity.

The improvement came despite a steep rise in operating costs and a slight decline in the average percentage of seats sold on each flight.

Mr Derek Stevens, chief financial officer, said seat occupancy was hit by the threat of a pilots' strike, now withdrawn. Staff costs rose 12 per cent because of a 5 per cent pay rise and increased hirings.

Higher profits coincided with signs of a deepening rift between BA and its American code-sharing partner, USAir.

Yesterday, BA, which faces a court case from USAir seeking to dissolve their alliance, said it was confident "all actions and agreements, including our proposed alliance with American Airlines, are consistent with the law and our obligations to USAir."

BA appears willing to renegotiate its deal to allow USAir a larger share of the revenues. But Mr Stephen Wolf, the former United Airlines chief appointed chairman and chief executive of USAir in January, is taking a tough line. USAir is alleging breach of contract and anti-trust violation by BA and its would-be new partner, American Airlines.

Although BA has a 24.6 per cent stake in USAir and has two directors on the board, analysts believe it may prove impossible to rebuild relations.

London Fiduciary placing for £15m

London Fiduciary Trust, the Aim-listed company chaired by former England cricketer Mr Phil Edmonds, has raised a further £15.5m ($24.2m) through an institutional placing to fund its gold mining and exploration ventures in the Philippines, writes Kenneth Gooding.

Mr Fred Mason, former operations chief at Freeport Indonesia's Grasberg copper-gold mine who was appointed chief executive at yesterday annual meeting, said the funds should enable the company to increase gold production from three mines in the Philippines to 155,000 troy ounces next year against 8,000 last year.

The programme involves total expenditure of $37m.

The company recently said its proven and probable gold reserves had jumped from 870,000 ounces a year ago to 4.9m ounces in a portfolio put together by Mr Frank Lubbock, an Australian mining engineer who is the biggest shareholder. His stake falls from 18 to 14 per cent.

The company's name is changing to Philippine Gold.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.08.96: Pool purchase price £/MWh	Final Prices for Trading on 03.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.04	13.04	13.83
0100	9.02	12.44	13.24
0130	9.01	12.44	13.24
0200	9.01	8.92	9.71
0230	9.01	8.92	9.71
0300	9.01	8.92	9.71
0330	9.01	8.92	9.71
0400	9.01	8.92	9.71
0430	9.01	8.92	9.71
0500	9.01	8.90	8.90
0530	9.01	8.90	8.90
0600	9.01	8.92	8.92
0630	9.02	8.92	8.92
0700	9.06	12.25	13.84
0730	12.80	16.57	17.40
0800	16.77	18.25	19.56
0830	18.12	21.26	23.37
0900	24.98	26.96	30.63
0930	48.73	33.82	39.01
1000	57.93	39.05	45.38
1030	60.53	43.80	51.48
1100	68.78	59.65	65.52
1130	71.17	65.79	75.97
1200	77.22	69.62	79.54
1230	75.77	69.61	79.48
1300	70.16	63.51	71.93
1330	56.22	58.77	66.11
1400	49.80	47.67	53.47
1430	30.30	44.26	49.20
1500	28.85	30.90	35.22
1530	28.20	30.38	34.72
1600	29.65	34.38	39.83
1630	64.05	64.03	70.34
1700	56.72	67.82	74.98
1730	52.72	62.05	67.77
1800	46.67	54.97	59.02
1830	20.31	20.46	22.28
1900	18.04	17.49	18.47
1930	16.57	17.10	17.93
2000	16.42	16.51	17.31
2030	15.80	16.32	17.11
2100	15.82	16.32	17.11
2130	23.10	16.32	17.11
2200	23.10	19.98	20.77
2230	23.08	33.84	34.63
2300	17.82	19.97	20.77
2330	13.04	16.29	17.08
2400	12.79	16.19	16.98

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.56/MWh becomes 1.656p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.

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COMPANIES AND FINANCE: UK

Midland to expand First Direct

By George Graham,
Banking Correspondent

Midland Bank has given the go-ahead for further expansion of its First Direct telephone banking subsidiary to keep pace with a flood of new accounts.

Mr Keith Whitson, Midland's chief executive, said First Direct's two current telephone centres would probably cope until the middle of next year, and the expansion should enable it to keep pace with more than 10,000 new customers a month for another year.

First Direct's growth, coupled with tight cost control in the main UK banking operations, helped Midland to a 24 per cent increase in pre-tax profits to £651m ($1.02bn) for the six months to June 30.

After several years in which spending on new computer systems and branch refurbishment kept Midland's costs among the highest in the UK banking sector, operating expenses dropped to £1.13bn. The bank's cost to income ratio fell from 68 to 62.8 per cent.

Midland is the principal UK division of the HSBC international banking group. It contributed almost 30 per cent of group profits, which climbed to £2.32bn before tax, up 34 per cent.

Midland increased its market share in the UK and lifted net interest income by 4.5 per cent to £984m despite a drop in net interest margin from 2.86 per cent to 2.57 per cent. Sir William Purves, HSBC's chairman, said about 10 basis points of the drop in interest margin was attributable to the start-up of the UK's new gilt repurchase market.

In addition, fierce competition in the UK mortgage market depressed margins, though the pressure now showed some signs of easing.

HSBC Midland, incorporating the group's treasury operations in London, New York and Tokyo, increased operating profits by 72 per cent to £79m, with interest rate derivatives boosting dealing profits.

HSBC Investment Banking, which since April 1 has combined the James Capel equities business with the Samuel Montagu investment bank, increased pre-tax profits by 71 per cent to £174m, buoyed by the sale of most of the group's stake in Kay Hian James Capel, a leading Singapore stockbroker.

Sir William said HSBC had no plans to acquire a UK life assurer or US investment bank.

Filtronic hit by US delays

By Patrick Harverson

Filtronic Comtek, the telecoms components group, warned yesterday that profits this year would fail to meet analysts' expectations as a result of US companies delaying expected orders for its equipment.

The shares, floated in October 1994 at 105p, fell 49p to 196p.

The company, which makes components for the worldwide mobile telecommunications market, yesterday reported a slight fall in annual pre-tax profits from £3.28m to £3.25m ($5.07m).

Filtronic warned in March that its profits would be hit by delays in US orders caused by systems manufacturers experiencing technical trouble developing code division multiple access (CDMA) systems, a US version of digital mobile phones.

Yesterday, it said the delays were proving longer than management had expected. "Earlier this year we thought the delay would be three to six months, but it's turned out to be nine to 12 months," said Professor David Rhodes, chairman.

The delays meant that while development spending on the CDMA programme had continued to climb, US sales failed to meet expectations.

However, Professor Rhodes expressed confidence about the outlook for CDMA, noting that two of Filtronic's biggest customers – AT&T and Motorola – had recently secured federal approval for their systems.

Despite the setback over CDMA, total sales climbed 30 per cent to £33.4m last year, driven by growth in Europe, Australia and in non-CDMA markets in the US.

Lydie van der Meer

David Rhodes (left) and John Samuel, finance director: delays were longer than expected

Legal costs peg London Pacific

London Pacific Group, the investment management company formerly known as Govett & Co, yesterday reported profits still held back by the costs of its legal battle with one of the funds it managed, writes Nicholas Denton.

Profits before tax at the group, which consists mainly of US businesses, but is listed in the UK, fell 4 per cent to $13.8m in the six months to June. The drop was attributed to an exceptional item of $4.4m of legal costs.

Last year American Endeavour accused Govett & Co – as London Pacific was then called – of racketeering and other offences. It filed suit for $67m in damages, first in the US and then in Jersey. London Pacific countered with a claim for $446m. It contended that American Endeavour derailed its planned acquisition of Duff & Phelps, the US investment management company.

In 1995, London Pacific spent $9.2m on litigation. The first half of 1996 brings that total to $13.6m, making it one of the most expensive legal disputes in the fund management industry. London Pacific said it expected the current rate of expenditure to continue.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
African Lakes	6 mths to Mar 31	12	(18.7)	0.457L♥	(0.84L)	7L	(11.27L)	-	-	-	-	-
Bluebird Toys	6 mths to June 30	23.5	(38.8)	3.1	(7.57)	4.5†	(11.6)	2.25	Nov 15	2.25	-	9
British Airways	3 mths to June 30	2,103	(1,904)	150	(135)	11.9	(10.5)	-	-	-	-	13.65
Filtronic Comtek	Yr to May 31	33.4	(25.7)	3.25	(3.28)	5.59†	(6.38)	0.25	Nov 1	0.75	1	0.75
HSBC	6 mths to June 30	-	(-)	2,321	(1,737)	60.14	(46.11)	15	Oct 11	9.25	-	32
Lofs ☆	3 mths to June 30	14.3‡	(9.37‡)	0.416	(1.62)	0.5	(2.2)	nil	-	0.25	-	0.5
McKay Secs	Yr to Mar 31	8.26	(9.16)	[illegible]	(2.85)	8.7	(9.1)	2.4	Oct 8	3.1	5.5	5.2
Pearson	6 mths to June 30	939.8	(780.9)	30.2♠	(50.5♠)	2.8	(8.5)	6.9	Nov 1	6.325	-	16.5
PSIT	Yr to Mar 31	22.4□	(21.2□)	18	(14.4)	11.1	(8.48)	3.75	Oct 1	3.375	6	5.375
Telewest Comms	6 mths to June 30	133.5	(55.4)	117.5L	(38.5L)	12.7L	(4.5L)	-	-	-	-	-
Verson Intl	Yr to Feb 2	108.5	(104.8)	4.88L♥	(11.3L♠)	2.9L	(7.9L)	nil	-	nil	nil	nil
Zotefoams	6 mths to June 30	10.3	(12.1)	[illegible]	(3.5)	5.6	(6.4)	2	Sept 18	1.8	-	5.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡Total charter income. □Net income.

صكنا من الاصل

INTERNATIONAL PEOPLE

Sam hands on Simex chair

Simex, the Singapore futures exchange which was thrust into an unwelcome spotlight over the Barings bank crisis, is shuffling its senior board members. Elizabeth Sam, who has served the maximum term as chairman, is stepping down and will be replaced by Victor Liew Cheng San.

Liew graduated in 1972 and, after working for an American bank in Singapore, joined Overseas Union Bank as head of Treasury in 1980. He has been a director of Simex for the past five years and is chairman of the exchange's clearing house committee.

Sam started her career with the ministry of finance in 1962 and in 1971 was transferred to the Monetary Authority of Singapore, where she rose to chief manager. She was also a main board director of Mercantile House, which was taken over by British & Commonwealth before it collapsed.

She has been a director of Simex since it was set up in 1984 and has served two three-year terms as chairman. She will continue as deputy chairman. *Peter John*

More fun with Hahn

North Americans already spend a big chunk of their leisure time in shopping malls. In an effort to keep them there even longer, mall developers are adding a plethora of entertainment facilities.

So it comes as no surprise that the new senior vice-president at The Hahn Company, one of the US's biggest regional shopping mall developers, is David Malmuth, formerly vice-president at Walt Disney's development arm.

Hahn, which manages 38 shopping centres with 33m sq ft of retail space, is wholly owned by Trizec, the Toronto-based developer controlled by Peter Munk, the Canadian entrepreneur.

Malmuth, 41, joined Disney in 1988. His projects have included the renovation of New York's New Amsterdam theatre, one of the grandest around Times Square, which itself is in the throes of an elaborate facelift.

Hahn reckons its Horton Plaza mall in San Diego is the shape of things to come. The mall claims to be the city's third biggest tourist attraction. Arnold Schwarzenegger was on hand last year for the opening of a 13,000 sq ft Planet Hollywood restaurant. A Warner Brothers studio store meanwhile displays replicas of three F-14 jets piloted by Bugs Bunny, Tweety and the Tasmanian Devil. Malmuth should feel at home.
Bernard Simon

Quinn heads bank

Lochlann Quinn, brother of Ruairi Quinn, the Irish Republic's finance minister, is to become non-executive chairman of Allied Irish Banks, the country's largest bank. Quinn, 54, succeeds Jim Culliton, who is retiring for personal reasons after just one term.

The appointment, which was unanimously approved by the board, took many bankers by surprise. Quinn has been a director for only 14 months, having joined the board as a non-executive director in May 1995.

Apart from a stint on the board of the National Museum, he has none of the high-profile public service experience of Culliton or the previous incumbent, Peter Sutherland, the former EU commissioner and head of the World Trade Organisation.

His three-year term at the head of AIB will cover the critical period in the run-up to the planned introduction of a single European currency, when Dublin's financial services sector is expected to undergo a big adjustment as its foreign exchange business is cut and institutions try to absorb the one-off costs of conversion to the Euro.

Quinn is former partner with Arthur Anderson, the local branch of the US accountants. He owns 26 per cent of Glen Dimplex, a successful consumer electronics company, and also has hotel and restaurant interests.

Those include a stake in Patrick Guilbaud's, Dublin's foremost restaurant, which received its second Michelin star this year – just in time to lure the European bureaucrats who will be billetted in Ireland during the country's six-month presidency of the European Union. *John Murray Brown*

SA soccer top job

Trevor Phillips, who resigned in May as commercial director of the English Football Association after a row over ticket sales for the Euro 96 championships, has landed a new job on the wild frontier of corporate soccer, as chief executive of South Africa's nascent professional football premier league.

Phillips, 54, moved to the FA in 1992 from the Football League. His hard-nosed style – a stark contrast to that of the British football administration old guard – could be just the ticket for the 18-member South African league, which has been beset by controversy in the build-up to its launch next month.

Earlier this year, the South African sports minister launched a judicial inquiry into the business dealings of the South African Football Association and the old-format National Soccer League. Last month, the league's former public relations officer, Abdul Bhamjee, was released from prison on parole, after serving less than half of a 14-year sentence for his part in a multi-million-rand fraud.

Phillips, who is on an initial one-year contract, has been charged with building the league's sponsorship, television and merchandising business. A R60m ($13.4m) sponsorship deal with the South African Broadcasting Corporation to screen at least two matches a week is in place, but no fixture list has been arranged. The new season kicks off on August 9.
Mark Ashurst

ON THE MOVE

■ Louis Gallois, chairman of French state aircraft manufacturer Aerospatiale, has been appointed head of the SNCF state railway company.

■ Olivier Vincent has been named by GTE DIRECTORIES of the US to the new position of vice-president/general manager, Europe, based in Brussels, where GTE publishes directories in partnership with Belgacom through their joint-venture company, BDS. GTE is one of the largest publicly held telecommunications companies in the world.

■ Daniel Canel joins UBS SECURITIES as senior managing director and head of North American and European emerging fixed income market sales, trading, research, origination and syndicate. He was previously co-head of global emerging markets at Chase Manhattan Bank.

■ Wayne Murdy has been appointed executive vice-president of NEWMONT MINING CORPORATION and Newmont Gold Company. John Dow becomes senior vice-president of exploration.

■ Michael Dawe becomes vice-president, sales and distribution of EQUITABLE LIFE INSURANCE COMPANY of CANADA.

■ Yotaro Wakayama becomes a director of Perusahaan Sadur Timah Malaysia (PERSTIMA); he replaces Tadaatsu Kohara, who resigned on June 21.

■ Douglas Woods has resigned as president and chief operating officer of WICKES LUMBER of the US. Steven Wilson, chairman and chief executive, has reassumed the duties of president.

■ Albin Moschner has resigned as president and chief executive of ZENITH ELECTRONICS. Peter Willmott, a member of Zenith's board for the past six years, takes over as interim president and chief executive.

■ Klaus Bachmann has resigned as chairman of BRANDKASSE, the German savings-insurance group, with effect from October.

■ Manfred Ahlsdorff, 61, has resigned as management board chairman of GESTRA, the industrial fittings manufacturer now 90 per cent controlled by Siebe of the UK.

■ Marcial Portela Alvarez has been appointed chief executive of TELEFONICA DE ESPANA's unit Telefonica Internacional, replaing Ignacio Santillana. Portela is a former general director of Argentaria. Santillana becomes head of Telefonica's international communications department.

■ AMERICA WEST AIRLINES has appointed Kevin Short as vice-president, revenue management.

■ Thomas Flournoy joins the executive management committee of NEW YORK LIFE INSURANCE.

■ Rachel King succeeds James Barratt as chief executive of GENETIC THERAPY, a wholly owned subsidiary of Sandoz, on August 31. King is now vice-president of product planning.

■ Four staff vice-presidents have been appointed at TIMES MIRROR: Debra Domeyer, Stanley Foutz, Martha Goldstein, and Jean Jarvis.

■ Paul Gerbecks, 48, joins the executive board of DEUTSCHE BORSE. He will take charge of the information technology division.

■ Graeme McGregor joins the board of BROKEN HILL PROPRIETARY with effect from August 20.

■ Christine Morin-Postel, 49, chairman and chief executive of Credisuez, joins the board of RANK ORGANISATION of the UK, as a non-executive director.

■ Yuji Wada has resigned as executive director of MARUICHI MALAYSIA STEEL TUBE. He will be replaced by Yoshihisa Morikawa.

■ Tan Beng Lee has been appointed chief executive of GREAT EASTERN LIFE ASSURANCE. He replaces former managing director A. J. Pathmarajah, who resigned in January.

■ Malcolm Sherman has been appointed non-executive chairman of the board of ECKO Group, manufacturer and marketer of branded housewares products.

■ Norm Fussell retires as chairman and director of HIGHLANDS GOLD of Australia. William Hodgson will act as chairman for the time being.

■ Daniel Mudd has been appointed by GE CAPITAL SERVICES as president of GE Capital Services Asia-Pacific, based in Hong Kong.

■ Pier Carlo Falotti, executive vice-president for international operations at AT&T, is resigning from September 1. John Petrillo, 47, executive vice-president for strategy and service innovation, will assume responsibility for international operations.

■ Paul Hofer, former head of Credit Suisse in London, has been appointed management board chairman of CREDIT SUISSE (Deutschland), where Bertil Rydevik has joined the management board and Friedrich Kenn has stepped down as a management board member.

■ Fritz Kall, 44, has been appointed finance director of DEUTSCHE BABCOCK.

■ Microsoft has promoted seven product group leaders to vice-president. They are: Robbie Bach, marketing, desktop applications; Lewis Levin, desktop finance; Rick Thompson, input services group; Brad Chase, developer relations and marketing, Internet platform and tools; Moshe Dunie, engineering general management, desktop business and systems; Rich Tong, marketing and training, desktop and business systems; and David Vaskevitch, database and transaction products, desktop and business systems.

■ Harold Ingalls joins LAROCHE INDUSTRIES as chief financial officer.

■ William Hodder is retiring as chairman and chief executive of DONALDSON COMPANY after 27 years. William Van Dyke takes over as chairman, president and chief executive.

■ John King becomes managing director of ALLIANCE GAS, the UK gas marketing subsidiary of Statoil, the Norwegian state-owned oil and gas company. Alliance, which began trading last week, has taken over the customer base, assets and staff of a previous company of the same name that was jointly owned by Statoil, BP and Norsk Hydro. King was formerly with Statoil's US operations; the rest of the management team has been inherited from the old Alliance Gas.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

More buoyant sentiment lifts hopes

By Samer Iskandar and Conner Middelmann

Although markets performed erratically yesterday, analysts agreed that a shift to a more bullish overall mood had taken place.

"There has been a shift in sentiment," said Mr Kirit Shah, chief market strategist at Sanwa International. "Market participants now seem convinced there will not be a rate hike [by the US Federal Reserve] this month." The Fed's open market committee will hold its next meeting on August 20.

The US long bond was trading at 90 19/32 in early afternoon in New York, down 6/32, to yield 6.754 per cent. In Chicago, the September T-Bond future was also 6/32 lower at 111 11/16. "Trading has shifted to a yield range of 6½ to 7 per cent [on the 30-year bond], from the previous range of 6¾ to 7¼ per cent," said Mr Shah.

Mr Tom Pelc, senior technical analyst at MMS International, believes the bull market is likely to persist until the end of the year. "The yield on the long bond will remain below 7 per cent and gradually ease towards 6⅜ per cent in the next couple of months," he predicted. Mr Pelc also expects bunds and several European markets to reach new contract highs soon, but he is confident US Treasuries will perform strongest.

GOVERNMENT BONDS

"The yield spread between 10-year Treasuries and bunds will disappear before the year-end," he said. The spread stood at 35 basis points yesterday, down from 62 basis points one week earlier. Mr Shah, however, is less bullish and expects yields to end the year higher. "Signs of stronger economic activity later in the year will lead to a correction in the market," he said.

■ French bonds had a more active day, with both the long and the short end of the yield curve coming under pressure from weakness in the French franc.

The short end suffered the worst declines, with the September Pibor future falling by 0.10 point to 96.03 on fears that the weaker currency might lead to a rise in money-market rates. "With volumes so thin, quite a few speculators would like to have a pop at the franc," said one trader.

Matif's September notional future also fell 0.10 point to 123.64. France's 10-year bond spread to Germany widened to 2 basis points from an even level on Friday.

■ German bonds had a lacklustre session, with the bund future on Liffe stuck in a 14-tick range between 97.66 and 97.80 all day. The contract closed at 97.71, down 0.03.

Traders were awaiting today's release of unemployment numbers, which usually rise markedly in July. However, some dealers were calling for a net fall in the jobless number after the seasonal adjustment. They said the data could trigger a round of profit-taking after last week's steep gains.

■ UK gilts were cheered by lower-than-expected industrial production data, which helped gilts' 10-year spread over bunds narrow by 2 basis points to 165 and spurred some curve-lengthening trades. Sterling's strength lent additional support to the market.

The long gilt future on Liffe ended at 108, up 5/32.

■ Italian bonds resumed their rise, although at a more moderate pace than last week. Liffe's September BTP future settled at 117.11, up 0.11. In the cash market, the 10-year yield spread over bunds stood at 309 basis points.

Ms Yasmine Ravai of Crédit Lyonnais Asset Management believes the convergence process "is temporarily on hold" and predicts that the spread tightening "will resume before the end of the summer".

July ends upward trend for high-yielders

By Conner Middelmann

Global government bond markets underwent a marked trend reversal last month, with the core European markets performing more strongly than their high-yielding counterparts, according to J.P. Morgan's monthly bond index monitor for July.

Germany was one of the strongest performers in July, producing a 4.52 per cent return in US dollar terms and 1.13 per cent in local currency terms. French bonds returned 4.19 per cent in dollars, or 1.14 per cent in French francs. Denmark, the Netherlands and Belgium also followed Germany's lead.

The European high-yielders' five-month run as the top performers in the Global Bond Index ended as investors took profits in volatile trading, selling Italian, Spanish and Swedish bonds as weakening fundamentals made further rate cuts in these countries less likely.

Italy was also dogged by political nervousness and currency weakness in July, while Spain's market was rattled by the discovery of a large shortfall in the budget.

In local currency terms, Italian and Spanish government bonds produced a return of 0.33 per cent in July while Sweden yielded a negative 0.13 per cent return.

On a local-currency basis, the Japanese market was the month's worst performer, recording a negative return of 0.28 per cent.

Meanwhile, J. P. Morgan said it would incorporate Finnish government bonds in its Global Bond Index starting July 31.

LCH provides crisis cover for derivatives

By Peter John

Members of the London Clearing House, which settles business traded at London's derivatives exchanges, will provide £150m to counter any Barings-style crisis.

The fund is part of a sliding scale of disaster protection that kicks in if a party trading through the exchange defaults on its obligations.

It is part of proposals outlined by bankers transferring the century-old clearing house from its current owners – Barclays, Lloyds, Midland, NatWest, Royal Bank of Scotland and Standard Chartered – to the 174 members and five exchanges which operate through it.

Further down the scale is provision for £100m of insurance cover.

LCH started life in 1888 as a clearing house for coffee and cocoa. Mr David Hardy, the chief executive, said there had been three defaults since the six banks took ownership in 1982. They were Drexel Burnham Lambert, Woodhouse Drake and Carey (commodities) and Barings.

However, he stressed that, with all three, LCH had needed to tap only the first level of protection, a call on the defaulting member's margin.

"In each case, the amount of money deposited to us was enough to cover and we could close out the book," said Mr Hardy.

"The insurance is new. It is designed so that we can make any decisions regarding replenishment in cool, calm waters rather than the choppy seas after default."

The exchanges for which the LCH clears and settles business are the London Metal Exchange, Liffe, the International Petroleum Exchange, the London Copper Exchange and Tradepoint, and the electronic share trading system.

Each of the existing shareholder banks are also members of the clearing house and will be invited to subscribe in that capacity.

Sharing ownership between the members and the exchanges is believed to be unique and is designed to put control of policy in the hands of those who use it as well as to cut costs by up to £10m a year.

N. M. Rothschild, which is advising on the transfer, has outlined several savings which can be made after members have bought their share for between £215,000 and £470,000 (depending on the number of subscribers), and have paid into the default fund.

● As dividends to third party owners will disappear, any surplus at the end of the year will be returned to members.

● Interest will be paid on all margins, ending a tradition of having an initial interest-free tranche.

● Annual membership fees will be abolished.

Also, with memories of Lloyd's still disturbingly fresh, the LCH has stressed that membership will be on a limited-liability basis. In the event of a second Sumitomo-inspired copper price plunge, a member's liability will be restricted to the contribution made to the defaults fund.

If more cash is required, a member could resign and clear its business through another firm.

Azores FRN issue proves highlight of quiet day

By Antonia Sharpe

A more positive tone in world bond markets and signs that investors want to extend the duration of their holdings raised hopes in the eurobond market yesterday that August would produce at least one large 10-year dollar offering from a triple-A rated borrower.

INTERNATIONAL BONDS

Syndicate managers said demand was increasing for longer-dated paper not only in dollars but in D-Marks since investors are unlikely to see any new benchmark bunds before the end of the year.

Several prestigious names, such as the World Bank, Canada and Germany's KfW, were mentioned yesterday as possible issuers of 10-year dollar-denominated paper.

There was also speculation that Spain was looking to raise dollars through a five-year transaction, although syndicate managers said this deal was more likely to be September's business.

Among yesterday's meagre offerings, perhaps the most interesting was the debut transaction from Portugal's autonomous region of the Azores which raised $65m through a 10-year floating-rate note (FRN).

Bookrunner CSFB said the notes, which carry a 20 per cent risk weighting, were snapped up by European banks hungry for high-quality, Libor-plus assets. In recent months it has become hard to find bonds issued by European Union borrowers which offer a decent margin over Libor.

The discounted margin on the Azores notes was Libor plus 18 basis points, and the demand pushed up their price from 99.78 at issue to 99.85-99.95 in the late afternoon. CSFB said the notes were rated A2, one notch below the sovereign.

Banks were also the main buyers of Banca di Roma's DM250m five-year FRN which is likely to be called in the fourth year. Lead manager BNP acknowledged that the notes were expensive but reported a good response from continental banks. The margin to the four-year call is 15 basis points over Libor, but syndicate managers said it should have been 3 to 4 basis points wider.

Elsewhere, the asset securitisation trend in Latin America continued with a $150m issue of collateralised crude oil royalty notes from the Argentine province of Mendoza.

Lead manager Lehman Brothers described the deal as a "senior secured transaction" because bondholders had first claim on the oil production royalties paid by international and Argentine oil companies which operate concessions in the province.

The six-year bonds, which have an average life of three years, were priced on Friday to yield 403 basis points over Treasuries. Issued at par, the bonds were quoted yesterday at par ⅛ to par ⅜.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Auto region of the Azores‡	65	(a)	99.78R	Aug 2006	0.45R	-	CS First Boston
■ D-MARKS							
Banca di Roma(London)(b)‡	250	(b1)	100.05R	Sep 2001	0.15R	-	BNP Frankfurt Branch
■ SWISS FRANCS							
Rheinhyp Finance	200	4.25	103.125	Sep 2002	2.25	-	Swiss Bank Corp
■ LUXEMBOURG FRANCS							
BGB Finance Ireland(l)	2bn	6.00	102.75	Dec 2002	1.875	-	Crédit Européen-BBL
Cregem International Bank(s)	2bn	5.75	102.45	Jun 2002	1.875	-	BIL
LB Rheinland-Pfalz(l)	2bn	5.625	102.25	Dec 2001	1.75	-	BGL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +15bp. b) Callable on 2/9/00 at par. b1) 3-mth Libor +⅛%. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.5910	+0.570	8.06	8.47	8.96
Austria		6.250	05/06	98.7900	+0.080	6.32	6.41	6.58
Belgium		7.000	05/06	102.5700	-0.030	6.63	6.72	6.63
Canada *		7.000	12/06	0.0000	-	0.00	7.67	7.85
Denmark		8.000	03/06	104.9400	-0.080	7.26	7.32	7.51
France	BTAN	5.750	03/01	101.6000	-0.040	5.40	5.43	5.72
	OAT	7.250	04/06	106.6600	-0.140	6.31	6.39	6.60
Germany Bund		6.250	04/06	99.6900	-0.080	6.29	6.38	6.60
Ireland		8.000	08/06	0.0000	-	0.00	7.63	7.75
Italy		9.500	02/06	102.2100	+0.090	9.15†	9.32	9.26
Japan	No 140	6.600	06/01	118.7766	+0.050	2.30	2.32	2.33
	No 182	3.000	09/05	98.0709	+0.100	3.26	3.30	3.26
Netherlands		8.500	06/06	115.9400	-0.060	6.27	6.32	6.53
Portugal		11.875	02/05	119.0200	-0.020	8.62	8.69	8.87
Spain		8.800	04/06	100.3600	+0.050	8.72	8.87	8.95
Sweden		6.000	02/05	86.9597	+0.630	8.18	8.26	8.31
UK Gilts		8.000	12/00	103-18	+4/32	7.02	7.14	7.27
		7.500	12/06	98-01	+4/32	7.78	7.88	8.01
		9.000	10/08	108-17	+2/32	7.89	7.99	8.13
US Treasury *		7.000	07/06	103-13	-4/32	6.49	6.65	6.95
		6.000	02/26	90-12	-6/32	6.76	7.04	7.10
ECU (French Govt)		7.500	04/05	104.8200	-0.090	6.74	6.83	7.02

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.93
Prime rate	8¼	Two month	-	Three year	6.07
Broker loan rate	7	Three month	5.21	Five year	6.27
Fed.funds	5¼	Six month	5.31	10-year	6.52
Fed.funds at intervention	-	One year	5.59	30-year	6.75

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.76	123.64	-0.10	123.92	123.62	51,615	186,879
Dec	122.42	122.20	-0.10	122.54	122.26	4,681	33,910
Mar	122.18	122.04	-0.10	122.28	122.18	1,007	3,557

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	Oct	Dec	PUTS Sep	Oct	Dec
120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
121	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
123	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
124	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible].

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.76	97.71	-0.03	97.80	97.66	61279	244512
Dec	96.87	96.93	-0.02	96.97	96.80	1366	10764

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
9750	0.47	0.37	0.66	0.71	0.26	1.04	1.23	1.38
9800	0.22	0.22	0.30	0.53	0.51	1.39	1.56	1.70
9850	0.09	0.12	0.26	0.36	0.88	1.79	1.93	2.05

Est. vol. total, Calls 10012 Puts 4767. Previous day's open int., Calls 160862 Puts 168331

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.98	117.11	+0.11	117.30	116.82	29185	83738
Dec	116.40	116.42	+0.12	116.40	116.40	309	4007

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
11700	0.69	1.43	0.58	2.01
11750	0.42	1.22	0.81	2.30
11800	0.24	1.01	1.13	2.59

Est. vol. total, Calls 5769 Puts 1908. Previous day's open int., Calls 63891 Puts 83864

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.46	101.57	+0.06	101.58	101.27	30,457	48,474

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-25	108-00	+0-05	108-03	107-23	21130	148467
Dec	106-31	107-06	+0-05	106-30	[illegible]	54	756

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	Oct	Nov	Dec	PUTS Sep	Oct	Nov	Dec
108	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
109	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.24	92.20	-0.04	92.36	92.18	786	6,471
Dec	-	90.46	-0.02	-	-	-	[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	111-24	111-23	-0-03	111-27	111-21	422,559	443,096
Dec	110-07	111-07	-0-03	111-10	111-04	11,880	21,954
Mar	-	110-20	-0-09	-	-	764	3,896

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	119.21			119.22	119.17	1109	n/a
Dec	118.05			118.05	118.04	285	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Aug 5	Day's change %	Fri Aug 2	Accrued interest	xd adj. ytd		Low coupon yield Aug 5	Aug 2	Yr. ago	Medium coupon yield Aug 5	Aug 2	Yr. ago	High coupon yield Aug 5	Aug 2	Yr. ago
1 Up to 5 years (22)	122.49	0.11	122.36	2.65	5.55	5 yrs	7.16	7.19	7.73	7.22	7.25	7.75	7.30	7.34	7.84
2 5-15 years (20)	148.12	0.12	147.94	2.66	6.39	15 yrs	8.02	8.03	8.11	8.02	8.05	8.14	8.10	8.12	8.24
3 Over 15 years (8)	162.61	0.19	162.30	2.97	7.40	20 yrs	8.12	8.14	8.14	8.11	8.12	8.17	8.17	8.20	8.25
4 Irredeemables (6)	185.08	0.45	184.26	2.05	7.36	Irred.†	8.20	8.23	8.22						
5 All stocks (56)	143.06	0.13	142.87	2.79	6.30										

Index-linked							Inflation 5% Aug 5	Aug 2	Yr. ago	Inflation 10% Aug 5	Aug 2	Yr. ago
6 Up to 5 years (1)	199.29	0.06	199.17	2.47	4.43	Up to 5 yrs	2.53	2.55	3.28	0.97	0.99	1.60
7 Over 5 years (11)	189.21	0.22	188.79	1.34	2.79	Over 5 yrs	3.72	3.74	3.59	3.52	3.53	3.40
8 All stocks (12)	189.31	0.22	188.90	1.36	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago	High*	Low*
Govt. Secs. (UK)	93.35	93.33	93.07	92.77	92.74	93.55	96.34	91.59
Fixed Interest	113.19	113.02	112.89	112.82	112.82	112.00	115.23	110.74

GILT EDGED ACTIVITY INDICES

	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29
Gilt Edged bargains	94.3	79.6	84.2	84.1	67.8
5-day average	82.0	77.4	81.0	80.0	82.3

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98¼	98½		6.82
ABN Amro Bank 7¼ 05	1000	101	101¼	+⅛	7.22
African Dev Bk 7⅝ 23	500	98⅛	98⅝	+⅛	7.51
Sweden 8 97	2500	105	105¼	-⅛	3.81
United Kingdom 7⅛ 97	5500	104¼	104¾		3.62
Volkswagen Intl Fin 7 03	1000	103¾	104	+⅛	6.30
World Bank 0 15	2000	31⅞	32⅛		6.08
Abbey Natl Treasury 8 03 £	1000	101	101¼	+⅛	7.79
British Land 8⅞ 23 £	150	91⅜	91⅝	+¼	10.02
Denmark 6⅜ 98 £	800	100⅜	100⅝		6.54
Depfa Finance 7⅛ 03 £	500	95⅝	96	+⅛	7.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remaining sections of the FT/ISMA listing (U.S. dollar straights continued, Swiss franc straights, yen straights, other straights, Deutsche mark straights, floating rate notes, convertible bonds) and the UK GILTS PRICES table ("Shorts" (Lives up to Five Years), Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked, Other Fixed Interest): [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Iran jitters spook the markets

By Gillian Tett

The antics of the Swiss franc continued to intrigue the markets yesterday, after rumours about worsening US-Iran relations left traders scurrying towards safe haven currencies.

However, the Swiss currency's rise was capped by growing market suspicions that the Swiss authorities will fight the franc's strength.

Elsewhere, the holiday season left many markets looking lethargic. However, with new German data due today, there is now renewed speculation about the future direction of European interest rates.

■ The latest trigger for a Swiss franc rally came from newspaper reports that the US government was considering taking action against Iran because of its suspected terrorist involvement.

These reports pushed the Swiss franc sharply higher against the US dollar in the Far Eastern markets overnight.

However, by the time European markets opened these jitters had already abated slightly.

And with the Swiss National Bank indicating that it would supply ample liquidity to money markets, the rally gradually abated during the day.

The currency closed at SFr1.2020 per dollar in London, slightly stronger than its SFr1.2035 close on Friday night.

Some traders doubt whether this rally can continue much further, given the Swiss National Bank's opposition to any further strengthening.

As Mr Peter Luxton of MMS International says: "The Swiss franc strength is crucifying the Swiss economy - the Swiss authorities have shown that they are not prepared to see the Swiss franc rise any further."

However, as Mr Kit Juckes of NatWest markets pointed out, there is now a strong desire in the markets to seek out safe havens.

"There is a tendancy to be quite risk adverse right now - safe haven currencies are in vogue," he says.

He adds: "The only problem is that the markets can't find a safe haven currency anymore whose central bank is prepared to let it be used in this way."

■ One currency that the markets are unlikely to treat as a safe currency in the coming days, by contrast, is the D-Mark.

The markets spent much of yesterday speculating that economic data due this week would highlight the weak state of the German economy.

This fuelled hopes that German interest rates would head lower again soon.

These rumours helped weaken the currency. It drifted down against the dollar during the day, closing at DM1.4818 in London, compared with the previous close of DM1.4779.

Meanwhile, the French franc also weakened slightly against the D-Mark.

It closed at closed at FFr3.4 per D-Mark, down from the previous day's close of FFr3.397.

Although the move was small, it was striking given the stability between the two currencies in recent months - a stability which has been fuelled by growing market faith in the likelihood of European monetary union.

■ These hopes of lower interest rates even infected sentiment about the UK yesterday, after industrial data was unexpectedly weak in June.

Official figures showed that industrial production fell by a seasonally adjusted 1.1 per cent in the month - the largest fall for over three years.

The drop fuelled hopes that base rates will not rise soon - and might even be trimmed again. This prompted a small rise in short sterling futures: the contract for December rose 4 basis points to 94.22 and the March contract rose 5 basis points to 94.01. At this level traders expect UK base rates to be about 5.88 per cent and 5.99 per cent in those months respectively.

However, sterling remained steady during the day. It closed at DM2.2869 and $1.5439, compared with a previous close of DM2.2793 and $1.5423.

■ Pound in New York

Aug 5	—Latest—	— Prev. close —
£ spot	1.5445	1.5430
1 mth	1.5439	1.5425
3 mth	1.5438	1.5422
1 yr	1.5433	1.5418

■ OTHER CURRENCIES

Aug 5	£	$
Czech	41.1994 - 41.2540	26.6820 - 26.7130
Hungary	231.294 - 231.521	149.860 - 149.910
Iran	[illegible]	[illegible]
Kuwait	0.4613 - 0.4624	0.2988 - 0.2994
Poland	4.1865 - 4.1930	2.7125 - 2.7150
Russia	[illegible]	[illegible]
U.A.E.	5.6663 - 5.6727	3.6725 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

COMMODITIES AND AGRICULTURE

SA platinum workers reject Impala's offer

By Mark Ashurst

The strike at South Africa's Impala Platinum mines enters its fifth day today after the rejection by the National Union of Mineworkers of a revised pay offer from the company.

But unrest at Anglo American's Rustenburg mine, the world's largest platinum producer, which last month dismissed its entire work force of 28,000 during a wild cat strike, has subsided.

Impala, controlled by the Gencor group, is the country's second largest producer of the white metal. It said the union had rejected its wage offer of 8 per cent, raised from 7.44 per cent after 25,000 workers downed tools on Thursday in support of the NUM's demand for a 9.5 per cent increase.

The cost of the stoppage to date was estimated at R28m (US$6.25m), equivalent to the platinum content of about 175,000 tonnes of ore. The stoppage will compound the loss of about 97,000 troy ounces of pure platinum as a result of last month's strike at Anglo's Rustenburg mine.

Analysts said the losses would have little impact on the world platinum surplus but could dent the appeal of platinum equities as a hedge stock for investors hit by the recent devaluation of the rand. Platinum was up $2.30 an ounce in London at $404.30.

Ms Ann Dunn, a spokesperson for Impala, warned against comparisons between the two stoppages. The Impala strike was "very disciplined, quiet and legal", she said.

Violence last week claimed two lives and stalled production at Anglo's Rustenburg mine following clashes between miners and men understood to be supporters of the illegal strike, which was condemned by the NUM.

The strikers were demanding the repayment by Amplats of their income tax and unemployment fund contributions, but the motive for the action could be more complex.

"Anglo does not know who has orchestrated this dispute, and they do not know if the intimidation is coming from inside the workforce or from people who were rehired," said Mr Francois Ferreira, analyst at Ivor Jones Roy. Amplats was investigating possible involvement by criminal or political groups, he said.

Venezuelan gold project given go-ahead

By Raymond Colitt in Caracas

Canada's Placer Dome is moving ahead with a $600m project to develop the Las Cristinas gold mine in south-eastern Venezuela in conjunction with its partner, the state Corporación Venezolana de Guayana.

CVG celebrated the decision as the first large project in the opening of Venezuela's mining sector and the Guayana region. According to CVG president, Mr Elias Ynaty, it is "one of the most important projects in Latin America and the world". It comes after investor confidence was renewed by a stand-by agreement with the International Monetary Fund.

Placer Dome holds a 70 per cent stake in the joint-venture Mina Las Cristinas (Minca) and was the first major international mining company to obtain mineral rights in Venezuela in recent years. The Canadian mining concern had repeatedly delayed its decision to go ahead with the project because of a series of government interventionist policies, including foreign exchange controls, as well as an increase in sales taxes. In the month of April Venezuela liberalised its rigid foreign exchange regime and recently exempt capital imports in the mining sector from whole sale taxes, which otherwise would have increased the project's capital cost by an estimated $54m.

The concern of Placer Dome and other international mining companies over the government's intention to increase the mining royalty from 1 per cent to 4 per cent still persists. According to Mr Oswaldo Ruiz, director of Minca, mining authorities intend to lobby legislators over a mining bill including such a proposal, which has been stalled in Congress since last September.

He added, however, that CVG and the government "were disposed to listen to proposals by legislators on the matter".

Although the authority to award mining rights recently reverted to the ministry of energy and mining, CVG maintains sufficient autonomy to enter into joint-ventures with the private sector on its own behalf.

CVG was stripped of its rights to grant mining concessions following a recent quarrel between government entities and entrenched CVG bureaucrats over plans to streamline and partially privatise the public industrial holding company.

Las Cristinas has more than 9m ounces of proven reserves and is expected to produce an average of 450,000 ounces of gold a year for 16 years. According to Placer Dome it is the largest gold deposit identified in Venezuela. Construction is to begin in late 1996 and gold production is scheduled to commence in the fourth quarter of 1998. Construction involves a power transmission line from the hydro-electric plant Macagua II on the Choroni river to the mine of initially 230KW and later 400KW.

The mine is located in the south-eastern state of Bolivar, known for its dramatic sandstone formations, which tower up to 2,000m above tropical rain forest in some areas and semi-arid grasslands in others. The ancient rock formations form part of the Roraima Province Formation.

Development plans call for a large open pit mine, with conventional truck shovel combinations to recover 253m tonnes of ore, grading 1.21 grams of gold a tonne, contained in the saprolite surface material and in bedrock. Revised estimates place the cash cost per ounce at under $200, net of copper credits, at an average milling rate of initially 55,000 tonnes a day and 100,000 tonnes a day when bedrock is reached. About 60 per cent of total gold production will be contained in concentrate and 40 per cent in doré. Copper production is expected to average 36m lb annually. Environmental regulations require that most of the cyanide used to extract gold be recovered.

Placer Dome is now developing a financing and risk-management plan, which is reported to foresee both private sector and multilateral lenders. The company says talks with lenders are well advanced. According to Mr Osvaldo Ruiz, talks are under way with the Andean Development Corporation over financing possibilities.

Sugar prices forecast to fall 16 per cent as world surplus grows

By Alison Maitland

The global sugar surplus will be larger than expected next year, pushing prices down by 16 per cent, the Economist Intelligence Unit forecasts in its latest report on world commodities.

It says stocks are likely to build to higher levels over the next two years than previously forecast, although they will still be lower than in the 1980s, when producers "overreacted" to prices as low as 40 cents a pound.

Re-stocking by importers is unlikely to use up the surplus, forecast at 4.2m tonnes in 1996-97, and prices are likely to fall to 9.5 cents a pound in 1997 and below 9 cents in 1998.

The surplus is put at 3.8m tonnes in 1997-98.

However, the report adds that quality white sugar is still in short supply after two years of disappointing European Union crops. "White prices should remain strong, encouraging refining and helping to slow the decline in raw prices."

The EIU says prices of food commodities in general will next year lose most of the gains made in 1996.

It predicts a drop of 7 per cent in wheat prices next year, 8 per cent in maize and 21 per cent in soyabeans.

World wheat output is expected to exceed use by a small margin again in 1997-98, with world stocks climbing to 102m tonnes from 97m. Stocks in the five main exporting countries are forecast to recover to a safer 37m tonnes from an uncomfortably low 29m tonnes in 1996-97.

Prices should fall as supplies gradually improve.

On maize, the report says: "The supply and demand balance will remain precarious in the foreseeable future, even with no more bad news on the supply side, but the present exceptional situation can be expected to ease".

For soyabeans, it says stocks are still about 10 per cent higher than a year ago and look set to remain high for the rest of this year and early next, which will encourage "a steady weakening of prices".

World Sugar Balance (million tonnes)

	1997-98(f)	1996-97(f)	1995-96	1994-95	1993-94
Production*	127.0	124.8	121.7	116.1	110.4
Consumption*	123.2	120.6	118.3	114.5	113.3
Balance	+3.8	+4.2	+3.4	+1.6	-2.9
Closing stocks	48.1	44.3	40.1	36.7	35.1
Stocks ratio‡	39%	36.7%	33.9%	32%	31%

f = forecast; * = Year ending August 31; ‡ = Stocks as proportion of consumption. Source: EIU

Mexican gas processor to resume production following explosion

By Leslie Crawford in Villahermosa, Mexico

Petróleos Mexicanos, the Mexican state oil monopoly, plans to resume production gradually this week at a gas processing facility that was badly damaged by an explosion ten days ago.

The accident at the Cactus complex in south-eastern Mexico, which ranks as one of the world's largest, temporarily crippled one-third of the country's gas processing capacity. Before the explosion, the complex processed 2.13bn cubic feet of natural gas a day.

Over the past week, Pemex engineers have been working to isolate the two plants that were wrecked by the explosion. They each processed 500m cu ft of natural gas a day. Three smaller plants at the complex were relatively unscathed, but engineers said new pipelines had to be laid down and others re-routed to circumvent the burned-out wasteland at the centre of the complex.

Work was also being conducted to restore power circuits and to check whether boilers and steam ducts had suffered any damage.

The force of the blast, which Pemex blames on a gas leak from a faulty valve, blew off roofs and shattered windows in 3km radius. Inside the complex, the explosion flattened many facilities, including a computerised control room built of reinforced concrete. The fires that followed tore through the two central gas plants, destroying an estimated $200m-worth of equipment. Six people died and nine are in hospital with severe burns.

Mr Adrián Lajous, Pemex's director, said it was the costliest accident of Pemex's 58-year history.

Gas flares surrounding the Cactus complex were still burning pent-up supplies at the weekend, although Pemex officials said they had re-routed most of the unused output to other gas processing facilities. Nuevo Pemex, Ciudad Pemex and La Venta gas plants were stepping up their gas processing capabilities, the officials said. A new plant at the petrochemical complex of Pajaritos in the state of Veracruz was also due to start processing 200m cu ft a day of natural gas later this month.

Nevertheless, Mr Lajous said Mexico would still need to import emergency gas supplies for at least another eight months. Following the explosion, Mexico began importing 300m cu ft a day, at a daily cost of $630,000. Mr Lajous said daily imports could be reduced to 200m cu ft when the Pajaritos facility entered production. "The volume of imports will depend on the overall demand in the economy and the Federal Electricity Commission's ability to switch from natural gas to fuel oil at its power plants," Mr Lajous said.

Meanwhile, Pemex engineers were studying how to replace the two facilities destroyed by the explosion. The plants were built 30 years ago, and technological improvements since then have favoured the construction of smaller, more efficient facilities. The engineers said they had not yet decided whether to rebuild the plants on the same site or to find new locations.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1469.5-70.5	1505-5.5
Previous	1481-2	1515-6
High/low	1487	1510/1503
AM Official	1466-7	1504-4.5
Kerb close		1503-4
Open int.	226,615	
Total daily turnover	37,902	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1255-60	1290-93
Previous	1255-60	1290-95
High/low	1257	1292/1291
AM Official	1255-6	1290-1
Kerb close		1290-5
Open int.	5,139	
Total daily turnover	1,001	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	800-1	805-6
Previous	799-800	804-5
High/low	799	806/803
AM Official	799-800	804-5
Kerb close		802-3
Open int.	31,196	
Total daily turnover	6,812	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6835-40	6945-5
Previous	6870-80	6980-90
High/low	6825	6970/6925
AM Official	6815-20	6920-25
Kerb close		6930-40
Open int.	41,234	
Total daily turnover	9,305	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6040-50	6105-15
Previous	6085-95	7010-15
High/low		6145/6105
AM Official	6065-70	6125-30
Kerb close		6110-20
Open int.	16,975	
Total daily turnover	3,502	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1011-12	1038-9
Previous	1009.5-10.5	1035-6
High/low	1011.5	1039/1032
AM Official	1011.5-12	1038-8.5
Kerb close		1028-6.5
Open int.	68,376	
Total daily turnover	6,753	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2038-43	1906-7
Previous	2041-6	1942-3
High/low	2038	1952/1918
AM Official	2037-8	1939-9
Kerb close		1928-30
Open int.	201,546	
Total daily turnover	79,961	

■ LME AM Official £/$ rate: 1.5463
LME Closing £/$ rate: 1.5433

Spot: 1.5447 3 mths: 1.5439 6 mths: 1.5439 9 mths: 1.5437

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	90.75	-1.05	92.60	90.60	300	2,677
Sep	90.20	-1.25	92.45	89.80	3,864	18,677
Oct	89.80	-1.15	91.40	91.40	140	1,463
Nov	89.20	-1.00	91.20	91.20	27	1,219
Dec	88.70	-0.80	90.50	88.50	679	14,822
Jan	88.30	-0.90	90.00	90.00	51	983
Total					5,224	67,130

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	389.00-389.40		
Opening	388.00-388.40		
Morning fix	387.95	250.824	464.260
Afternoon fix	389.75	252.380	467.778
Day's High	390.00-390.40		
Day's Low	387.80-388.20		
Previous close	386.30-3886.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.53	6 months	3.99
2 months	4.43	12 months	3.83
3 months	4.37		

Silver Fix	p/troy oz.	US cts equiv
Spot	330.15	510.25
3 months	334.40	516.70
6 months	338.65	523.15
1 year	347.70	536.90

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	249-251
Maple Leaf	396.70-401.25	-
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	389.4	+1.8	390.5	388.4	1,098	2,500
Oct	392.3	+1.7	393.5	390.8	2,620	13,022
Dec	395.0	+1.8	396.2	393.0	21,966	77,916
Feb	397.5	+1.8	398.5	398.5	1,002	9,693
Apr	399.9	+1.8	400.5	400.3	837	5,566
Jun	402.5	+1.8	403.0	403.0	1,432	10,916
Total					29,180	162,126

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	408.5	+1.1	410.0	407.5	2,453	19,761
Jan	410.7	+1.1	412.0	410.0	222	3,190
Apr	413.1	+1.1	415.0	413.5	135	2,346
Jul	415.6	+1.1	416.0	416.5	100	157
Oct	419.5	-	417.0	417.0	-	-
Total					2,776	26,444

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	130.60	+0.85	131.50	129.50	777	6,615
Dec	131.60	+0.80	132.50	131.00	68	1,571
Mar	132.70	+0.80	134.20	134.20	-	66
Jun	133.75	+0.80	-	-	-	107
Total					850	8,389

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	505.4	+1.3	502.0	502.0	-	19
Sep	508.7	+1.2	512.5	505.0	10,308	62,752
Dec	516.5	+1.2	521.0	514.5	1,189	26,702
Mar	524.4	+1.3	527.5	525.0	334	7,667
May	529.5	+1.3	532.0	531.0	14	5,516
Jul	534.6	+1.3	525.5	525.5	184	4,115
Total					17,883	109,477

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	21.14	-0.20	21.79	21.02	42,100	65,130
Oct	20.57	-0.15	21.10	20.50	19,183	44,962
Nov	20.06	-0.16	20.53	20.02	7,188	28,171
Dec	19.71	-0.10	20.20	19.67	9,751	37,130
Jan	19.40	-0.12	19.80	19.40	4,711	26,603
Feb	19.18	-0.13	19.50	19.15	465	19,562
Total					98,444	347,408

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.53	-0.06	20.05	19.47	17,942	60,180
Oct	19.20	-0.07	19.65	19.15	6,029	41,597
Nov	18.85	-0.11	19.22	18.82	1,921	10,000
Dec	18.50	-0.12	18.88	18.48	2,462	15,259
Jan	18.20	-0.13	18.56	18.20	1,303	11,011
Feb	18.00	-0.10	18.18	18.00	216	6,440
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	57.00	-	57.50	55.70	330	3,050
Sep	58.35	-0.38	59.70	58.05	13,677	38,819
Oct	58.15	-0.52	59.60	58.00	3,777	11,405
Nov	58.15	-0.62	59.65	58.10	1,399	9,353
Dec	58.25	-0.53	59.60	58.15	5,619	24,308
Jan	58.15	-0.43	59.20	57.90	1,426	10,030
Total					27,867	112,548

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	181.25	+3.00	183.75	181.00	4,746	15,359
Sep	178.50	+2.00	181.75	178.50	4,363	15,064
Oct	178.00	+2.50	180.50	178.00	1,155	6,302
Nov	176.75	+3.00	178.75	177.00	1,037	4,298
Dec	175.25	+2.50	177.50	175.00	1,377	11,357
Jan	173.00	+2.50	175.25	173.00	505	4,767
Total					14,028	54,770

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.185	-0.130	2.325	2.180	12,675	28,661
Oct	2.210	-0.109	2.325	2.205	3,710	18,761
Nov	2.300	-0.087	2.387	2.300	2,076	12,749
Dec	2.385	-0.065	2.450	2.370	1,994	15,072
Jan	2.380	-0.070	2.455	2.380	1,749	11,985
Feb	2.290	-0.050	2.350	2.280	484	7,034
Total					24,374	132,296

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	61.30	-0.82	62.95	61.05	11,292	27,799
Oct	59.00	-0.54	60.10	58.90	1,886	8,745
Nov	57.30	-0.45	58.20	57.25	705	3,690
Dec	56.40	-0.40	57.25	56.40	562	3,462
Jan	56.30	-	56.70	56.30	253	3,028
Feb	55.00	-	55.00	54.35	10	1,217
Total					14,271	47,365

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.40	-0.35	110.25	110.25	25	369
Nov	111.95	-0.80	112.75	111.95	214	3,073
Jan	114.05	-0.70	114.75	114.25	12	1,384
Mar	116.00	-0.75	116.75	116.00	17	462
May	118.00	-0.70	118.65	118.65	10	306
Jul	119.60	-0.60	-	-	-	42
Total					285	5,635

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	443.50	-5.5	449.50	441.00	7,034	25,384
Dec	448.50	-5.25	452.50	444.50	8,052	33,111
Mar	446.50	-4.75	451.50	444.50	905	6,588
May	422.00	-1	423.00	419.50	16	231
Jul	387.00	-4	392.00	386.50	36	2,541
Dec	395.50	-	-	-	-	81
Total					15,647	67,972

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	349.25	-10	353.00	346.25	8,677	68,687
Dec	316.25	-6	319.00	315.00	21,236	164,418
Mar	325.75	-5.75	328.75	322.50	1,808	35,804
May	331.25	-5.75	332.00	328.50	472	11,282
Jul	332.00	-5.75	333.50	329.50	201	8,477
Sep	305.00	-3.75	306.00	304.75	84	882
Total					32,688	290,582

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	101.25	-0.60	101.00	101.00	18	173
Nov	103.50	-0.80	104.00	103.60	80	919
Jan	105.50	-0.85	106.50	106.50	15	320
Mar	108.00	-0.25	-	-	21	60
May	110.00	-0.35	-	-	-	50
Total					86	1,522

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	767.00	-3.75	769.00	756.50	3,067	11,013
Sep	748.00	-3.75	749.00	735.50	2,302	14,842
Nov	734.75	-3	736.00	718.25	21,097	111,305
Jan	742.25	-3.5	743.00	730.00	793	16,214
Mar	748.00	-4.25	748.00	735.00	497	7,663
May	751.50	-3.75	752.00	740.00	100	5,994
Total					28,360	174,265

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	24.60	+0.21	24.30	23.80	5,635	4,938
Sep	24.64	+0.17	24.63	24.05	3,207	18,258
Oct	24.80	+0.14	24.80	24.25	5,574	11,561
Dec	25.21	+0.16	25.22	24.65	4,605	34,648
Jan	25.36	+0.18	25.35	24.86	101	4,073
Mar	25.65	+0.15	25.45	25.20	81	3,894
Total					19,673	80,835

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	243.8	-0.3	244.0	240.0	3,552	13,612
Sep	239.0	-0.9	240.0	235.2	4,224	15,535
Oct	232.3	-0.8	233.5	228.5	796	7,201
Dec	230.9	-0.4	231.0	225.5	4,653	26,806
Jan	231.0	-	230.5	226.0	400	3,945
Mar	230.4	-0.6	230.0	226.5	126	3,579
Total					14,365	75,273

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	102.8	-11.2	109.8	103.0	258	1,083
May	125.0	-	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					258	1,086

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1090	+15	1090	1075	13	1,023
Sep	1136	+1	1130	1120	24	707
Oct	1218	+1	1218	1214	20	1,405
Jan	1239	+1	-	-	10	427
Apr	1240	-5	-	-	-	101
Jul	1105	-	-	-	5	19
Total					47	3,772

	Close	Prev
BFI	1081	1082

FUTURES DATA
All futures data supplied by CMS.

Tea

The Tea Broker's Association reports, demand was strong and general. Landed, all bright and coloury medium East Africans were 2 to 6 pence dearer, apart from plain Kenyas which were steady. The few Ceylons on offer were substantially dearer. Offshore there was active competition at dearer rates. Quotations: best available 192p/kg., good 118p/kg., good medium 112p/kg., medium 103p/kg., low medium 88p/kg. The highest price realised this week was 192p for a Ceylon bop.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	978	-4	987	978	931	40,783
Dec	998	-4	1007	998	489	38,768
Mar	1012	-4	1021	1012	607	38,361
May	1025	-4	1030	1035	54	18,496
Jul	1037	-2	1044	1044	2	11,344
Sep	1049	-1	1058	1058	5	3,316
Total					2,087	171,869

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1341	-4	1354	1336	2,616	19,128
Dec	1380	-3	1390	1377	1,383	19,689
Mar	1409	-6	1418	1409	147	16,926
May	1430	-5	1430	1430	71	7,434
Jul	1445	-5	-	-	2	5,841
Sep	1467	-5	-	-	5	5,162
Total					4,174	79,308

■ COCOA (ICCO) (SDR's/tonne)

Aug 2	Price	Prev. day
Daily	997.25	1002.47

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1533	-11	1563	1530	909	13,121
Nov	1518	-13	1536	1512	870	8,911
Jan	1473	-14	1480	1476	192	3,871
Mar	1435	-9	1453	1440	133	2,468
May	1420	-5	1425	1407	71	610
Jul	1424	+6	1410	1405	11	169
Total					1,694	28,169

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	107.90	+0.40	108.50	106.25	4,142	14,187
Dec	102.35	+0.75	102.75	100.00	1,724	9,021
Mar	100.20	+0.60	100.60	99.00	453	3,851
May	100.75	+0.75	101.00	100.00	63	952
Jul	101.25	+1.00	101.10	101.10	49	407
Sep	101.75	+1.50	104.25	104.25	24	176
Total					6,496	28,373

■ COFFEE (ICO) (US cents/pound)

Aug 2		Prev. day
Comp. daily	97.83	97.14
15 day average	97.29	97.55

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	346.8	-0.6	347.6	346.0	530	11,333
Dec	343.8	-0.7	344.5	342.9	205	3,954
Mar	341.6	-0.5	342.5	340.5	357	6,159
May	337.8	-0.2	338.1	337.0	57	2,331
Aug	335.8	+0.1	336.0	334.6	139	923
Oct	324.3	-1.0	325.1	325.1	37	850
Total					1,325	25,808

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.73	+0.02	11.76	11.62	7,792	71,880
Mar	11.42	-	11.44	11.36	3,175	42,714
May	11.19	+0.04	11.19	11.11	1,481	16,713
Jul	10.92	+0.02	10.95	10.87	485	13,167
Oct	10.74	+0.01	10.77	10.72	12	6,865
Mar	10.68	+0.01	10.68	10.65	-	768
Total					12,926	152,209

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.35	+0.34	72.60	72.05	790	7,936
Dec	73.21	+0.26	73.60	72.80	2,359	31,209
Mar	74.60	+0.25	74.94	74.25	234	7,736
May	75.40	+0.30	75.10	75.00	17	5,817
Jul	75.95	+0.25	-	-	34	4,244
Oct	76.00	-	76.00	76.00	35	1,045
Total					3,494	69,822

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	112.40	+0.50	112.70	111.40	1,813	12,441
Nov	109.75	+0.45	109.80	109.00	332	3,887
Jan	109.70	+0.25	110.00	109.00	200	4,340
Mar	110.80	+0.15	111.00	110.00	72	805
May	112.45	+0.80	112.00	112.00	15	238
Jul	113.45	+0.55	113.00	113.00	-	171
Total					2,432	21,887

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 5	Aug 2	month ago	year ago
1935.6	1924.9	1988.3	2201.2

■ CRB Futures (Base: 1967=100)

Aug 2	Aug 1	month ago	year ago
245.13	245.52	-	-

■ GSCI Spot (Base: 1970=100)

Aug 1	Jul 31	month ago	year ago
200.05	198.75	na	na

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	66.425	-0.475	67.050	66.400	4,646	16,705
Oct	69.600	-0.25	70.250	69.350	3,937	37,359
Dec	67.400	-0.05	67.600	67.300	3,033	20,015
Feb	65.525	-0.075	65.925	65.450	737	12,720
Apr	66.950	-0.025	67.300	66.875	266	4,865
Jun	66.275	+0.025	66.500	66.150	72	2,229
Total					12,692	93,116

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	60.560	+0.825	60.700	59.600	2,662	3,662
Oct	55.575	+0.725	55.800	55.400	2,902	14,099
Dec	56.350	+0.5	56.650	56.350	1,282	9,461
Feb	76.750	-0.05	77.150	76.500	169	2,533
Apr	74.725	+0.05	74.700	74.500	63	868
Jun	76.825	-0.7	76.800	76.200	36	969
Total					7,326	33,975

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	100.47	+2	100.47	100.47	46	3,241
Feb	87.700	+2	87.700	87.000	868	3,419
Mar	87.350	+2	87.350	86.750	80	299
May	88.225	+0.975	87.300	86.200	20	149
Jul	85.500	+0.7	85.800	84.750	23	24
Aug	82.300	+0.3	82.300	82.300	-	-
Total					1,490	7,184

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	86	133	2	16
1500	19	68	33	46
1600	1	28	115	107
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	192	175	10	72
1900	114	122	32	110
2000	58	82	76	174
■ COFFEE LCE	Sep	Nov	Sep	Nov
1600	21	65	182	147
1650	18	51	228	183
1700	15	40	277	222
■ COCOA LCE	Sep	Dec	Sep	Dec
950	36	65	12	30
975	23	53	22	42
1000	16	43	40	65
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1900	-	-	-	43
1950	-	70	-	65
2000	26	39	37	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.08-8.17	-0.06
Brent Blend (dated)	$19.57-9.59	-0.02
Brent Blend (Sep)	$19.50-9.52	-0.03
W.T.I.	$21.09-1.12x	-0.06

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$207-209	
Gas Oil	$182-183	+3
Heavy Fuel Oil	$94-96	+2
Naphtha	$190-192	
Jet fuel	$209-210	+8
Diesel	$185-186	+5

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	13.50-13.75	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

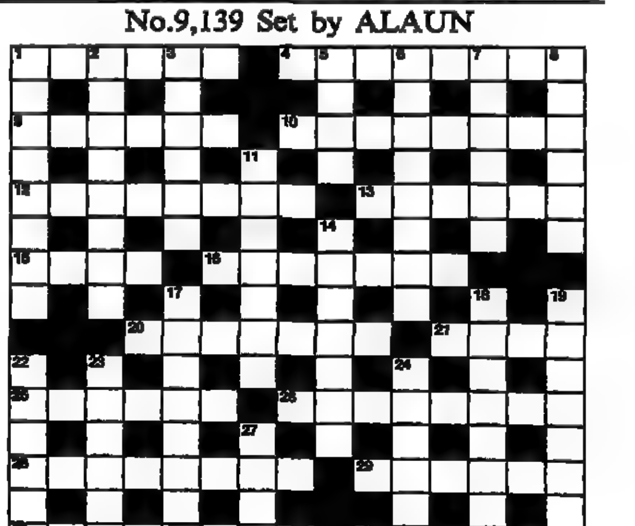
Gold (per troy oz)♣	$389.20	-2.75
Silver (per troy oz)♣	511.50c	+5.25
Platinum (per troy oz.)	$403.50	-0.30
Palladium (per troy oz.)	$129.00	-0.75
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.05r	-0.10
Tin (New York)	286.50	
Cattle (live weight)	94.25p	-4.73*
Sheep (live weight)	100.96p	-11.25*
Pigs (live weight)†	101.05p	-0.96*
Lon. day sugar (raw)	$311.70	-2.00
Lon. day sugar (wte)	$370.50	-3.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5x	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	88.75p	
Rubber (Aug)♥	88.75p	
Rubber (KL RSS No1)	326.00m	-2.00
Coconut Oil (Phil)§	790.0w	+25.0
Palm Oil (Malay.)§	$472.5w	-2.5
Copra (Phil)§	$502.0w	
Soyabeans (US)	216.5z	+1.0
Cotton Outlook'A' index	77.20c	
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 456 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,139 Set by ALAUN



ACROSS
1 Appearing in "The Wicked Lady", created an impact (6)
4 She'll bring the money round at lunchtime (8)
9 Laughing at ragged Medusa (6)
10 Get mixed up with spies and end badly (8)
12 Will it tell you if the water's deep enough for bathing? (6)
13 From the two I knotted, beheld it's tricky to knot! (3,3)
15 Piece of music so long it has to cut by half (4)
16 Did teaching conceivably lie about her allure? (7)
20 Said how clever one was to have trapped the rain in it? (7)
21 Kind with schoolchildren (4)
25 All there can't squeeze into it (6)
26 Bathed in a watery glow? (8)
28 The colours in stock (8)
29 Time to rebuild dynamo (6)
30 Boding ill for the left (8)
31 Like best, running on the outside, that dog (6)

DOWN
1 Wave the hot iron, to his consternation (8)
2 Getting out and walking (8)
3 They happen to have keyholes (6)
5 From the bitter cold, help to protect (4)
6 Scamp used to stray but is not so bad now (8)
7 How many have yet to get drunk at the new inn? (6)
8 This time one has a second one (6)
11 He got very tight at Christmas (7)
14 Shows as always to have returned, alas, a loss (7)
17 Leads the way and goes back to power (8)
18 Bumps into one day taking the dogs out (8)
19 Your team's going out to play in purple (8)
22 The wife will wish we were with her (6)
23 Try hard to get air (6)
24 Leave in a sailing boat for somewhere in S. America (6)
27 I abandon it with regret that is unfeigned (4)

Solution to Saturday's prize puzzle on Saturday August 17.
Solution to yesterday's prize puzzle on Monday August 19.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Asia Gwth Fd	$11.8081	11.8083	—	-
Offshore Emerging Cos	$7.4180	7.8810	—	-
Offshore Far East Gwth Fd	$4.9037	5.2112	—	-
Offshore Intl Gwth Fd	$0.0397	8.4127	—	-
Offshore Japanese Gwth Fd	$1.2378	1.3684	—	-
Offshore Uk Growth Fd	$3.7365	3.9706	—	-
Offshore Asia Smaller Mkts	$1.7132	1.8207	—	-
Offshore Latin Amer Growth	$1.0852	1.1633	—	-
Offshore European Gwth Fd	$2.5773	2.7380	—	-
Offshore Global Bond	$0.9838	1.0056	—	-
Offshore Global Bond Acc	$1.1435	1.1812	—	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Jul 29	$7.12		—	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£22.84	23.08	—	1.73
Lowes Aggressive Portfolio	£10.47	17.00	+0.2400	-
Lowes Defensive Pfolio	£71.8	77.40	+0.0800	-
Lowes Collector Pfolio Ltd	£11.19	11.74	+0.0900	-

TSB Fund Managers (CI) Ltd

TSB Island Pension	779.5	757.5	+8.4	-
Island Equity Acc	128.1	132.7	+1.5	-

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd †	$257.44	258.74	—	5.81
Excalis Global Eqty	$77.55	77.95	—	-

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 4646 48217

Establishment Tr Jul 26	$2.48		—	-

Eigiston Global SICAV (u)

13 Rue Goethe, L-1637 Luxembourg

Equity Portfolio Aug 1	$2.298		—	-
Reserve Portfolio Aug 1	$2.076		—	-

Fidelity Funds (u)

Manulife Regent Global Fund (u) (z)

American Gth Fund	$8.8080	
European Gth Fund	$6.2330	
Global Resources Fund	$4.1130	
Intl Growth Fund	$2.1560	
Japanese Gth Fund	$2.3844	
Pacific Basin Gth Fund	$3.3830	
Reserve Fund	$2.2180	
Tiger Fund	$2.2008	
UK Gth Fund	$1.0857	

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

OFFSHORE INSURANCES

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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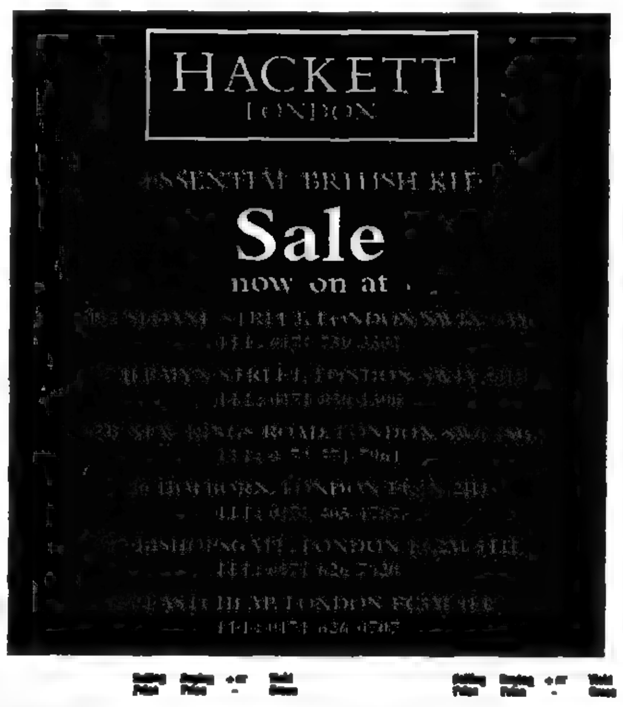
Old Mutual International - Contd.

OTHER OFFSHORE FUNDS



● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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صكنا من الأجل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' format.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion.

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie celebrates four-day winning streak

By Philip Coggan, Markets Editor

A decent set of corporate results, a continued recovery on Wall Street and some modest optimism about UK interest rates combined to send the FT-SE 100 index higher for the fourth consecutive trading session.

The August holiday season is in full swing and once again, turnover on Monday appeared to be sluggish. By 5pm, 477.4m shares had been traded, of which 54 per cent was in non-FT-SE 100 stocks. The value of customer business on Friday was £1.83bn.

Suddenly, however, between 5pm and 6pm, a 666m share trade was reported in Just Group, an AIM stock, lifting the 6pm count for overall market volume to 1.2bn shares. However, the devil appeared to have been at work, since the Just deal, at 4¼p, would have represented five times the company's market capitalisation at Friday's close. The Stock Exchange was unable to confirm the accuracy of the reported trade last night.

In the real world, the FT-SE 100 index managed a 17.7 point rise to 3,788.7 and it has now risen 120 points since July 30. The Mid-250 index, which has trailed behind Footsie in recent sessions, had a better day, rising 22.7 to 4,288.4.

Figures from HSBC Holdings, the Hong Kong bank which owns Midland, and Pearson, the diversified group which owns the Financial Times, both came in better than expected and put the companies' shares among the top three Footsie performers.

Mr Philip Isherwood, UK strategist at Kleinwort Benson Securities, says "the companies reporting this summer are matching or beating expectations. There has been a modest upgrading of 1997 estimates. With the institutions having lots of cash sitting on the sidelines, we think Footsie can end the year at 4,000."

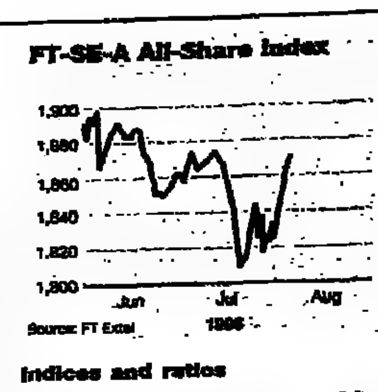
Yesterday's figures helped the London market overcome the effect of a number of stocks, including BT and Scottish & Newcastle, going ex-dividend. Shares received a modest lift from Friday's close on Wall Street, where the Dow Jones Industrial Average notched up another 85 point gain. The US market made another steady start yesterday, with the Dow around nine points ahead by the London close.

Figures for manufacturing output and industrial production showed larger month-on-month falls than expected, raising hopes that the chancellor will push for a further cut in base rates. Gilts took heart from the weak data, with the 10 year benchmark issue ending the session around an eighth of a point ahead.

But other recent economic data have been quite robust and the Bank of England is expected to argue, in Wednesday's inflation report, that rates may have to rise if the government is to meet its inflation target.

"The weak output data need to be set against the more buoyant signs in retail sales, business surveys, mortgage commitments, car sales and broad money" says Mr Michael Saunders, UK economist at Salomon Brothers.

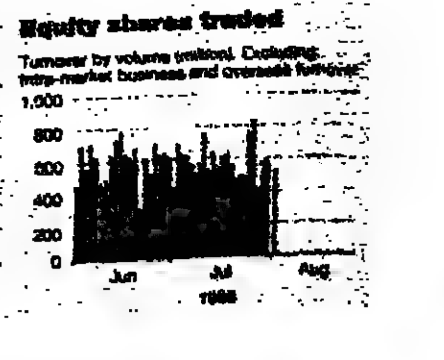
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3788.3	+17.7
FT-SE Mid 250	4288.4	+22.7
FT-SE-A 350	1895.1	+9.1
FT-SE-A All-Share	1872.28	+8.72
FT-SE-A All-Share yield	3.90	3.89

FT Ordinary index	2775.1	+2.7
FT-SE-A Non Fins p/e	16.87	16.17
FT-SE 100 Fut Sep	3799.0	+17.5
10 yr Gilt yield	7.77	7.79
Long gilt/equity yld ratio	2.09	2.11

Best performing sectors

1. Property ... +1.7
2. Insurance ... +1.1
3. Other Financial ... +1.1
4. Diversified Inds ... +1.0
5. Building Mats ... +0.9

Worst performing sectors

1. Tobacco ... -0.7
2. Textiles & Apparel ... -0.4
3. Gas Distribution ... -0.2
4. Transport ... -0.2
5. Banks : Merchant ... -0.1

Upgrade boosts HSBC

International banking group HSBC was by far the best performing Footsie stock of the day as analysts focused on the better-than-expected interim figures.

A busy session, in which 11m was dealt (the second highest total of the day), saw the shares rise 48 to 1164p, as analysts moved to upgrade full year profit expectations.

Mr Robert Law at Lehman Brothers was among those cheered by the figures. He raised his profits estimate for the year from £4.15bn to £4.5bn and believes, "the shares should be more highly rated based on the increased profits."

In the rest of the sector, Barclays which reports interim figures today, was in demand and the shares gained 8 to 845p, in trade of 3.9m. Rumours in the market suggested that company will announce a £200m share buy-back with today's figures. However there was nervous trading in Abbey National, which reports figures tomorrow. The shares eased 3 to 585p.

Standard Chartered was also wanted and the stock ended the session 12 ahead at 693p in busy trade of 3.1m shares.

Media group Pearson shrugged off recent gloom and moved strongly ahead on a combination of relief over its interim results and appreciation about a disposal.

The group's shares fell back last week as a series of bear stories did the rounds. The talk included a suggestion that the figures would do no more than break even, while the more bearish even talked of a dividend cut.

All of this proved unfounded as Pearson reported half time figures at the top end of market expectations and raised the dividend. The market was also cheered by the £305m disposal of Westminster Press. The shares responded by jumping 19 to 630p, though volume remained modest.

Kleinwort Benson was among those pleased with the figures and was said to have raised its recommendation from "hold" to "buy".

Henderson Crosthwaite remains positive and has a corporate valuation of 890p a share. However, the broker has downgraded full year profit expectations by £10m to £240m.

Property gains

An upbeat note from Panmure Gordon added to the positive glaze that has lately begun to form over property shares.

The broker sees the sector as "back into buying territory", and picks out British Land, Brixton Estates and Land Securities as offering the best growth prospects among the mature investment groups.

British Land jumped 11 to 451p and Brixton added 7 to 182p. Land Securities, boosted by a £130m disposal, added 15 to 684p.

Hopes for solid numbers when motor engineer GKN announces interim results tomorrow helped lift the shares 6 to 1,013p.

The City consensus is for profits in a £175m to £180m range, against £158m last time. "The numbers will be unexciting given tough trading in the automotive market, but in relation to the sector growth of 13 per cent could eventually be seen as something special", said one analyst yesterday.

Vague takeover talk got behind aviation and defence group Hunting. The shares, down from 190p in three weeks following a profits warning, jumped 9 to 120p in above average volume of 1.4m.

There was profit-taking at Cadbury Schweppes as talk of a takeover – with Unilever a possible predator – subsided.

One analyst said that the market had caught on to the fact that there was no sign of buying, other than by the institutions. He said that analysts who followed Unilever closely did not believe the speculation. Cadbury Schweppes fell 10 to 529p while Unilever, which has half year results on Friday, rose 9 to 1267p.

A note from SGST on food manufacturers helped lift Booker 8 to 373p. Mr Carl Short, its food manufacturing analyst, said the main driving force behind the sector's poor performance, in profit and share price terms, from 1992 until recently was a margin squeeze in the UK caused by the failure to recover raw material cost increases.

He said there were signs the squeeze on margins would begin to reverse during 1996.

Among transport shares, Railtrack, floated at a partly-paid 200p in May and a recent strong performer, ran into profit-taking. The shares came off sharply in heavy 11m volume, ending down 4½ at 229p.

Interim profits broadly in line with City expectations failed to inspire British Airways, which continued to suffer from groggy sentiment as a result of the legal moves by 24 per cent owned associate USAir. The shares dipped 6½ to 534p.

"It's all very damaging. It looks as if USAir is trying to get the best position possible at the negotiating table ahead of BA's marketing link-up with American Airlines", said one analyst yesterday.

Telecoms leader BT was the day's most heavily traded Footsie stock, racking up turnover of 18m with the equivalent of a further 4.5m passing through the traded option pits.

The stock went ex a net dividend of 11.25p so it was actually a positive day for sentiment, with BT seen to have emerged in solid shape from its latest war of words with Oftel, the industry regulator. The shares ended a penny better at 365½p.

Some brokers have begun to talk the shares back up towards 400p, although yesterday's heavy volume suggested that the City remains deeply divided on the outlook for trading.

"The regulatory background remains a bone of contention for the shares", said one leading analyst yesterday.

British Biotech, in which a ten-for-one share split came into effect yesterday, was in favour yesterday and the shares rose an adjusted 13¼ to close at 231p, with volume reaching 1.8m by the close.

A NatWest Securities review of the retail sector provided some optimism for the sector, with analysts forecasting that it was due a big bounce. However, it did sound a note of caution after the year end, with the looming general election causing uncertainty. Marks & Spencer rose 7 to 495½p, Next climbed 10 to 547p and Dixons rose 5½ to 508p.

The expectation that Bass's bid for Allied Domecq's 50 per cent stake in Carlsberg-Tetley will materialise this week lifted the brewing and leisure group 13 to 828p. Allied, however, fell 5 to 447p.

FINANCIAL TIMES EQUITY INDICES

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago	*High	*Low
Ordinary Share	2775.1	2772.4	2748.2	2718.8	2694.5	2610.0	2695.2	2669.8
Ord. div. yield	4.10	4.10	4.14	4.16	4.22	4.26	4.22	3.76
P/E ratio net	16.34	16.33	16.20	16.03	15.88	15.76	17.25	15.80
P/E ratio nil	16.18	16.17	16.03	15.87	15.72	15.48	17.03	15.71

Ordinary Share index since compilation: high 2695.2 19/04/96; low 49.4 26/06/40 Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2777.5	2774.3	2778.1	2775.9	2776.2	2775.6	2773.5	2772.4	2773.3	2779.6	2771.4

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago
SEAQ bargains	33,461	33,225	29,980	27,803	24,043	24,351
Equity turnover (£m)†	–	1630.4	1638.3	1656.7	1664.9	1439.3
Equity bargains†	–	36,512	31,576	33,716	30,236	35,974
Shares traded (ml)†	–	635.6	612.7	598.8	585.8	541.1

†Excluding intra-market business and overseas turnover.

	Aug 5	Aug 2	Aug 1	Jul 31	Jul 30	Yr ago	*High	*Low
FT-SE AIM	1048.20	1040.80	1044.10	1049.40	1048.40	-	1148.40	985.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	577	Total Highs	75	Total contracts	58,055
Total Falls	395	Total Lows	28	Calls	25,529
Same	1,429			Puts	32,526

Aug 5 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est vol	Open int.
Sep	3789.0	3799.0	+17.5	3803.0	3778.0	8513	60127
Dec	3815.0	3820.0	+17.5	3823.5	3814.5	784	2203
Mar		3812.5	+0			0	240

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est vol	Open int.
Sep		4287.0	+24.0			0	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3787) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Aug	192	2	144	3½	98½	7½	56	17	29	37½	8	70	1½	113	1	162½
Sep	213	15½	170½	23	132	34	97	48½	65½	68	43	95	25½	128	13½	168
Oct	229	27½	190	39	151	49	118½	66½	85	86½	65	113½	45	144	36	179
Nov	244½	40	207½	51½	169½	63	137	80	108	99	82½	125	58	152½	40	187
Dec†	263½	50			194½	79			133	117½			66½	171		

Calls 10,836 Puts 12,294

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625		3675		3725		3775		3825		3875		3925		3975	
Aug	167½	3	128	5½	78½	12	48	25	18½	50½	4	89	1	136	1	184½
Sep	189½	16½	148½	25½	111½	38	76	55½	52	78	32	107	18½	143½	19	184
Oct	207	30½	169	41½	134½	56	104	75	78	98½	58½	125½	37½	157	26	192½
Dec	249½	58½			179½	88½			119½	124½			73½	178		
Mar†	288½	91½			223	122			168½	164			123	214½		

Calls 4,165 Puts 7,171 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	18.4	78	72	†AND Intl	73		-	-	-	-
§60	F.P.	8.82	58	33	†Alizyme	51	+6	-	-	-	-
§	F.P.	203.4	235	228	Alld Carpets	231	+1	-	-	-	20.1
§215	F.P.	212.5	255	215	Atkins WS	251	+1	L5.8	2.4	3.1	18.8
§125	F.P.	40.4	136	123	†BATM Adv Comms	130		-	-	-	-
100	F.P.	1,404	105	89	British Energy	102½	+¼	F13.7	-	8.5	-
§5	F.P.	3.07	4	4	†Drings of Bath	4		-	-	-	-
§145	F.P.	31.1	153	148	†Elec Retail Sys	148		-	-	-	-
§	F.P.	2.82	53	41	†Fayrewood	48		-	-	-	-
163	F.P.	4.12	192	109	†HIT Entm	107	-2	-	-	-	60.7
§68	F.P.	2.78	66	53	†Hel Fin	63	-1	u2.72	2.0	5.4	11.6
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.75	15	12	†Life Numbers	15		-	-	-	-
§	F.P.	0.19	6	2	†Life Numbers Wts	6		-	-	-	-
§	F.P.	0.26	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.25	19	17	NECA	17		-	-	-	-
§170	F.P.	33.1	187½	164	Plasmon	174		-	-	-	27.0
-	F.P.	0.28	2	1½	†Pordum Foods Wts	1¼		-	-	-	-
§113	F.P.	53.3	116	113	Quintain Estates	114		-	2.9	-	15.8
§105	F.P.	28.7	118	105½	Robert Walters	118	+1	L2.0	3.9	2.2	14.8
§149	F.P.	18.2	158	151	†SCI Ent	156		-	-	-	-
§	F.P.	78.5	96	91	Schroder Em Cntr	91½		-	-	-	-
§	F.P.	6.02	35	31	Schroder Em Wts	34½		-	-	-	-
§68	F.P.	13.3	70	66	†Selector	68		-	-	-	-
§825	F.P.	101.5	525	472	Therap'tic Antiod	474		-	-	-	-
§134	F.P.	28.8	179	143	†UNO	166	+2	-	-	-	39.0
-	F.P.	4.83	125	120	†West 175 Ents	125		-	-	-	-
*	F.P.	6.23	12	10	†Xavier Computer	10	-1	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 2	% chg on day	Aug 1	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2040.21	+1.4	2011.59	1966.62	1.85	-	2620.73	1722.80
■ Regional Indices								
Africa (13)	2886.19	+1.5	2858.15	2765.01	2.99	37.75	3683.66	2272.74
Australasia (7)	2314.80	+0.8	2302.16	2420.60	2.46	22.15	[illegible]	[illegible]
North America (11)	1817.96	+1.8	1789.75	1710.68	0.73	66.95	2189.38	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 5	Day's chge%	Aug 2	Aug 1	Jul 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3788.3	+0.5	3770.6	3734.4	3703.2	3483.5	4.06	2.10	14.60	113.82	1580.91
FT-SE Mid 250	4288.4	+0.5	4265.7	4243.0	4230.6	3869.7	3.62	1.62	21.99	121.74	1733.93
FT-SE Mid 250 ex Inv Trusts	4319.2	+0.5	4298.2	4277.8	4265.9	3896.4	3.61	1.65	20.92	128.82	1749.88
FT-SE-A 350	1895.1	+0.5	1886.0	1869.5	1856.1	1735.3	3.95	2.01	15.72	56.28	1595.84
FT-SE-A 350 Higher Yield	1834.3	+0.6	1823.5	1809.6	1798.4	1729.9	5.23	1.91	12.63	71.74	1297.10
FT-SE-A 350 Lower Yield	1963.2	+0.4	1955.5	1936.9	1923.1	1744.9	2.76	2.18	20.58	41.24	1364.86
FT-SE SmallCap	2100.16	+0.3	2094.10	2085.99	2081.18	1935.64	3.15	1.69	23.45	42.12	1731.60
FT-SE SmallCap ex Inv Trusts	2091.37	+0.2	2087.80	2081.22	2077.68	1912.86	3.38	1.77	20.86	44.34	1735.54
FT-SE-A ALL-SHARE	1872.28	+0.5	1863.56	1848.04	1835.44	1715.47	3.90	1.99	16.12	54.22	1600.75

■ FT-SE Actuaries All-Share

	Aug 5	Day's chge%	Aug 2	Aug 1	Jul 31	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3530.89	+0.7	3505.94	3479.40	3481.84	2931.82	3.79	1.83	18.06	79.25	1521.31
12 Extractive Industries(5)	4140.89	+0.5	4121.75	4125.25	4102.84	4109.11	3.87	2.62	[illegible]	109.19	[illegible]
15 Oil, Integrated(3)	3616.31	+0.8	3588.36	3554.44	3562.42	2909.51	3.96	1.72	18.36	81.84	1598.02
16 Oil Exploration & Prod(15)	2517.83	+0.5	2505.48	2495.47	2487.01	2016.26	2.07	1.56	38.85	34.94	1516.45
20 GEN INDUSTRIALS(276)	1986.52	+0.5	1977.01	1970.74	1966.53	2001.87	4.36	1.84	15.57	53.59	1094.42
21 Building & Construction(34)	1126.76	+0.3	1123.09	1125.41	1130.14	1006.59	3.66	1.69	20.07	23.05	946.95
22 Building Matls & Merchs(29)	1837.67	+0.9	1821.89	1814.04	1825.82	1860.85	4.17	1.71	17.52	47.61	935.03
23 Chemicals(25)	2378.56	+0.3	2371.99	2366.14	2354.78	2495.34	4.25	1.61	18.23	62.26	1135.31
24 Diversified Industrials(19)	1508.23	+1.0	1493.99	1492.38	1500.56	1824.16	6.90	1.69	10.71	57.26-	852.00
25 Electronic & Elect Equip(37)	2333.26	+0.4	2324.99	2309.35	2290.07	2040.38	3.34	1.66	22.64	56.61	1226.60
26 Engineering(71)	2416.51	+0.2	2410.65	2403.36	2388.98	2095.81	3.35	2.44	15.44	52.83	1478.35
27 Engineering, Vehicles(14)	3022.37	+0.6	3005.58	2969.99	2921.22	2460.33	3.48	1.98	18.19	73.79	1580.34
28 Paper, Pckg & Printing(28)	2577.51	+0.2	2573.63	2561.06	2569.87	3134.66	4.00	1.99	15.74	64.19	1082.80
29 Textiles & Apparel(19)	1272.82	-0.4	1278.10	1268.27	1266.72	1674.18	5.56	1.58	14.24	42.36	785.83
30 CONSUMER GOODS(91)	3632.16	+0.3	3621.40	3574.96	3539.77	3311.55	3.87	1.98	16.33	87.34	1351.34
32 Alcoholic Beverages(6)	2789.15	+0.2	2784.84	2753.87	2732.80	2807.79	4.52	1.62	17.06	91.68	1019.81
33 Food Producers(24)	2523.76	-0.1	2525.24	2501.71	2469.20	2580.26	4.13	1.85	16.38	70.29	1161.10
34 Household Goods(15)	2530.72	+0.2	2525.56	2537.27	2512.70	2718.23	3.93	2.15	14.79	59.03	972.14
36 Health Care(20)	2020.49	+0.2	2016.18	2012.36	1999.23	1906.69	2.67	2.16	21.69	35.96	1234.87
37 Pharmaceuticals(13)	5337.13	+0.7	5298.10	5212.41	5161.19	4198.73	3.15	2.17	18.32	91.73	1816.52
38 Tobacco(1)	4349.80	-0.7	4379.45	4307.44	4269.32	4442.98	6.02	2.06	10.09	156.18	1092.84
40 SERVICES(252)	2487.37	+0.3	2480.55	2460.16	2445.80	2168.20	2.89	1.87	23.10	55.68	1304.13
41 Distributors(31)	2716.12	.....	2715.54	2691.92	2723.68	2704.20	3.22	1.74	22.26	54.16	1007.60
42 Leisure & Hotels(24)	3123.96	.....	3123.31	3096.98	3075.46	2476.73	2.83	1.88	23.46	154.38	1689.02
43 Media(45)	4087.95	+0.2	4078.50	4048.00	4014.94	3233.22	2.24	1.85	30.20	69.65	1485.26
44 Retailers, Food(14)	1997.58	+0.1	1995.42	1970.80	1960.01	2177.21	3.84	2.32	14.07	48.71	1281.97
45 Retailers, General(43)	2084.92	+0.8	2068.20	2053.64	2046.98	1780.89	3.02	2.13	19.41	47.32	1202.93
47 Breweries, Pubs & Rest.(24)	3108.06	+0.3	3098.43	3068.54	3038.95	2678.94	3.30	1.98	19.12	67.05	1506.50
48 Support Services(49)	2405.80	.....	2404.80	2389.81	2378.27	1727.98	1.94	2.28	28.17	33.52	1538.28
49 Transport(22)	2373.22	-0.2	2377.03	2358.56	2335.75	2349.70	3.44	0.85	55.98	58.33	997.88
60 UTILITIES(38)	2296.62	+0.4	2286.76	2261.73	2260.20	2502.19	5.56	2.01	11.17	151.55	1019.57
62 Electricity(11)	2414.58	+0.6	2399.24	2392.14	2377.02	2560.07	6.72	2.49	7.51	404.44	1294.23
64 Gas Distribution(2)	1310.02	-0.2	1313.22	1316.42	1290.82	1912.85	8.15	1.36	10.07	66.67	687.11
66 Telecommunications(6)	1944.92	+0.3	1939.44	1932.84	1909.47	2102.70	4.16	1.78	16.85	50.20	903.33
68 Water(12)	2180.66	+0.9	2162.21	2158.34	2159.79	2062.65	6.06	2.36	8.75	89.50	1229.81
69 NON-FINANCIALS(666)	1975.06	+0.4	1967.22	1953.01	1942.20	1841.12	3.88	1.91	16.97	58.10	1516.04
70 FINANCIALS(104)	3023.16	+0.7	3001.98	2962.26	2923.34	2539.97	4.29	2.41	12.06	89.65	1316.79
71 Banks, Retail(8)	4291.65	+0.6	4268.01	4190.96	4111.47	3425.60	4.14	2.65	11.39	131.64	1420.51
72 Banks, Merchant(6)	3461.49	-0.1	3463.82	3438.30	3425.30	3635.07	2.86	2.50	17.50	63.39	1104.70
73 Insurance(22)	1458.95	+1.1	1442.63	1436.01	1421.32	1380.93	5.66	2.57	8.61	49.20	1107.03
74 Life Assurance(6)	3491.28	+0.1	3487.98	3481.38	3463.16	2790.75	4.28	2.24	13.05	100.72	1463.57
77 Other Financial(21)	2516.84	+1.1	2489.67	2474.84	2482.76	2206.05	4.16	1.82	16.54	68.15	1448.47
79 Property(41)	1588.92	+1.7	1563.01	1545.39	1542.82	1488.85	4.08	1.25	24.85	39.90	989.35
80 INVESTMENT TRUSTS(126)	3109.71	+0.8	3083.69	3056.50	3042.40	2821.52	2.27	1.11	49.39	45.52	1091.78
89 FT-SE-A ALL-SHARE(896)	1872.28	+0.5	1863.56	1848.04	1835.44	1715.47	3.90	1.99	16.12	54.22	1600.75
FT-SE-A Fledgling	1218.02	+0.4	1212.89	1207.97	1206.82	1036.10	2.81	2.37	18.74	21.04	1280.53
FT-SE-A Fledgling ex Inv Trusts	1232.14	+0.4	1227.47	1223.17	1222.77	1028.55	3.02	2.55	16.25	22.75	1298.10

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3777.8	3773.8	3788.4	3785.5	3786.7	3787.7	3785.5	3783.7	3787.6	3790.6	3773.8
FT-SE Mid 250	4277.8	4277.2	4281.8	4283.1	4283.1	4283.0	4283.0	4283.0	4287.3	4288.4	4277.0
FT-SE-A 350	1889.9	1888.3	1894.5	1893.4	1893.9	1894.3	1893.5	1892.7	1894.7	1895.4	1888.3

Time of FT-SE 100 Day's high: 1:10 PM Day's low: 9:00 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3632.3 (16/07/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1113.7	1113.9	1115.8	1115.6	1116.0	1116.0	1116.4	1116.4	1116.4	1117.2	1113.9	+3.3
Pharmaceuticls	5268.7	5266.8	5276.9	5276.2	5274.4	5270.9	5264.6	5253.1	5261.8	5268.4	5230.3	+38.1
Water	2165.3	2160.9	2165.1	2165.8	2163.9	2163.9	2164.3	2166.1	2167.8	2167.8	2149.0	+18.8
Banks, Retail	4296.0	4288.1	4345.3	4338.8	4353.5	4358.3	4354.4	4346.4	4346.8	4346.4	4322.5	+23.9

Additional information on the FT-SE Actuaries Share indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	270	442½	-½
ASDA Group†	6,700	114½	-1½
Abbey National†	870	585	-3
Albert Fisher	39	42	
Allied Domecq†	1,200	447	-5
Anglian Water	268	588	+4
Argos†	321	736	+3
Arjo Wiggins	1,300	173	+1
Assoc. Brit. Foods†	101	397	
Assoc. Brit. Ports	752	275	-1
BAA†	2,500	470	+5
BAT Inds.†	3,900	510½	-3½
BBA	428	301	+1½
BICC	324	320	-1
BOC†	830	895	-3
BP†	1,700	598	+5
BPB Inds.	234	344	+4
BSkyB†	948	499	-5
[illegible]			
British Land	[illegible]	451	+11
British Steel†	1,800	165	+½
Bunzl	93	225	-1
Burmah Castrol†	126	990	
Burton†	1,800	151¼	-¼
Cable & Wireless†	6,900	412	+1
Cadbury Schweppes†	5,200	529	-10
Caradon	206	267	+2
Carlton Comms.†	1,100	469	+8
Chubb	129	337	
Coats Viyella	48	167	-2
Comm. Union†	1,600	602	+6
Compass	1,000	565	-2
Cookson†	480	261	-2
Courtaulds†	227	438	
Dalgety	404	360	
De La Rue	98	614	
Dixons†	2,900	508	+5½
East Midland Elect.	307	579	-6
Electrocomps	906	394	-1
Eng China Clays	119	332	+5
Enterprise Oil†	125	469	+5
Eurotunnel Units	218	101	
FKI	1,000	172	+2
Foreign & Col. I.T.	465	135	+1½
Gen. Accident†	2,800	652	+14
General Elect.†	2,800	369	+1½
Glaxo Wellcome†	2,900	906½	+3½
Glynwed	1,100	340	+2
Granada†	1,400	840	+6
Grand Met.†	2,300	446	+2
GUS†	2,000	697	+2
Greenalls	588	584	+4
GRE†	1,200	261	+3
GKN†	468	1013	+6
Guinness†	2,500	473	+3
HSBC (75p shs)†	11,400	1164	+48
Hammerson	345	364	+2
Hanson†	7,700	157	+1½
Harrisons Crosfield	979	127	+3
Hays	1,200	432	+8
Hillsdown	2,800	160	+1
Hyder	398	702	+6
IMI	541	375	+2
ICI†	730	777	+6
Inchcape	1,200	265	+1
Johnson Matthey	530	601	+11
Kingfisher†	583	638	+6
Kwik Save	192	494	+5
Ladbroke†	2,800	190	-2
Land Securities†	843	684	+15
Laporte	714	739	+10
Legal & General†	481	722	-1
Lloyds Abbey	1,000	595xd	
Lloyds TSB†	9,800	341½xd	-8¼
LASMO†	2,200	184½	+1
London Elect	150	618	-1
Lonrho	758	187	+4
Lucas	8,900	236	
MEPC	667	434	+11
MFI	41	179	+1
Marks & Spencer†	2,300	495½	+7
Mercury Asset Man	375	928	+6
Morrison (Wm.)	86	165	
NFC	1,200	198	-2
NatWest Bank†	3,400	642xd	-3¼
National Grid†	2,500	175½	-½
National Power†	3,600	414	+10
Next†	731	547	+10
Northern Elect.	1,000	881	-1
Northern Foods	3,700	189	-1
Orange†	2,500	184½	+4
Pearson†	1,900	630	+19
P & O†	1,100	497	+1
Pilkington†	1,600	190	+2
PowerGen†	384	486	+4
Premier Farnell	149	614	+5
Provident Financial	121	447	+4
Prudential†	676	435	+1
REXAM	578	362	
RMC†	248	1037	+2
RTZ†	485	938	+4
Racal	220	[illegible]	-1
Railtrack	11,400	229	-4½
Rank Org.†	1,300	469	-3
Reckitt & Colman†	112	680	+1
Redland†	642	420	+8
Reed Intl.†	515	1133	+12
Rentokil†	3,100	394	-1
Reuters†	2,600	694xd	+1½
Rolls Royce†	1,900	222	+2
Royal & Sun Alliance†	3,500	395	+5
Royal Bk Scotland†	3,200	497	
Safeway†	1,600	340	+3
Sainsbury†	1,100	391	
Schroders†	71	1276	-8
Scottish & New'stle†	1,600	645xd	+3¼
Scot. Hydro-Elect.	113	301	+2
Scottish Power†	536	321	+1
Sears	236	99	+1
Sedgwick	720	125	-1
Severn Trent†	240	675	+7
Shell Transport†	1,700	929½	+6½
Siebe†	1,100	883	+1
Slough Ests	705	231	+1
Smith (W.H.)	348	483	+1
Smith & Nephew†	397	204½	
SmKl Beecham†	2,400	716	+4
Smiths Inds.†	455	721	-3
Southern Elect†	361	659	-9½
South West Water	1,100	709	+3
Southern Water	3	1050	-2
Standard Chartd.†	3,100	693	+12
Storehouse	375	295	+3
T&N	1,100	134	+2
TI Group†	374	519	-2
Tarmac	3,000	102	+1½
Tate & Lyle†	514	469	
Taylor Woodrow	3,600	164½	-½
TeleWest Comms	162	143	[illegible]
Tesco†	1,600	293	[illegible]
Thames Water†	781	543	+4
Thorn EMI†	279	1772	-3
Tomkins†	2,700	268	+7
Unigate	1,100	415	-3
Unilever†	812	1267	+9
United Biscuits	1,100	213	-1
Utd. News & Media†	960	650	+8
United Utilities†	326	586	+6
Vodafone†	8,800	242½	+2
WPP	1,200	213	
Wessex Water	2,100	339	+5
Whitbread†	2,200	663	-1
Williams Hldgs.†	417	337	-2
Willis Corroon	31	134	-2
Wimpey	1,400	137	-2
Wolseley†	3,000	436	+15
Yorkshire Elect	55	704	
Yorkshire Water	13	636	+3
Zeneca†	1,200	1451	+16

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

صكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

Indonesia							
Jakarta Comp.(10/8/82)	552.53	550.65	548.53	650.21	24/6	532.48	2/1
Ireland							
ISEQ Overall(4/1/88)	(c)	2465.54	2454.56	2505.19	10/6	2204.61	2/1
Italy							
Banca Comm Ital(1972)	614.92	613.82	604.73	674.19	20/6	572.21	27/3
MIB General(2/1/93)	1042.0	1040.0	1025.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21077.47	20940.41	20904.83	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	297.87	296.87	296.77	319.70	26/6	284.48	11/3
Turkey							
Istanbul Comp.(Jan 1986)	67605.2	68453.7	66508.7	73830.38	3/7	39779.38	2/1
WORLD							
MS Capital Intl(1/1/70)	762.1*	767.9	759.4	768.28	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1644.08	1631.55	1600.16	1708.78	4/7	1584.49	11/1
Euro Top-100(26/6/90)	1410.03	1401.25	1385.42	1462.38	28/4	1303.87	11/1
HSBC JC Drgn(31/12/88)	(u)	385.07	381.28	393.18	18/4	344.18	2/1
MS Emrg Emrg(7/1/92)	(u)	158.79	154.48	166.81	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Aug	2029.0	2016.5	-9.5	2038.0	2015.0	8,092	25,378
Sep	2034.5	2022.0	-9.5	2042.0	2021.0	386	22,456
■ DAX							
Sep	2527.5	2532.0	+2.5	2535.6	2524.5	9,497	-
Dec	2552.0	2550.5	+1.5	2554.0	2545.5	95	5,229

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Jul	1503.58	1508.75	-1.25	1515.00	1502.00	2,659	15,448
Aug	1517.25	1512.50	+29.50	1517.25	1512.50	60	2,584
■ SOFFEX							
Aug	3628.0	3629.0	+20.55	3644.0	3620.0	4,889	28,159
Oct	3647.0	3639.5	+31.5	3647.0	3639.5	8	261

– Sat Aug 3: Taiwan Weighted Price 6106.87; Korea Comp Ex 824.08. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 5 - 2520.52 +0.28.

US INDICES

Composite‡	662.49	660.02	656.05	678.51	598.48	678.51	4.40
				(24/5)	(10/1)	(24/5/96)	(1/6/32)
Industrials¶	783.03	769.55	757.93	807.36	702.07	807.36	3.62
				(5/6)	(15/1)	(5/6/96)	(21/6/32)
Financial	69.16	67.16	65.80	69.38	58.87	69.16	8.64
				(2/8)	(10/1)	(2/8/96)	(1/10/74)
NYSE Comp.	353.67	347.78	342.70	363.74	321.41	363.74	4.46
				(24/5)	(10/1)	(24/5/96)	(28/4/42)
Amex Mkt Val	549.97	544.12	539.50	614.89	525.88	614.89	29.31
				(22/5)	(10/1)	(22/5/96)	(9/12/72)
NASDAQ Comp	1124.92	1098.85	1080.59	1249.14	988.57	1249.14	54.87
				(5/6)	(15/1)	(5/6/96)	(31/10/72)

■ RATIOS

	Aug 2	Jul 26	Jul 19	Year ago
Dow Jones Ind. Div. Yield	2.20	2.29	2.30	2.43
	Jul 31	Jul 17	Jul 10	Year ago
S & P Ind. Div. yield	2.10	2.32	2.08	2.07
S & P Ind. P/E ratio	21.35	18.63	21.97	18.65

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tech	8,686,200	22⅝	+3⅝
Fed Nat	6,247,000	34⅝	+1⅝
AT & T	4,954,600	54⅞	+1⅛
Pepsico	4,645,700	33⅝	+1⅛
K-Mart	4,079,700	10⅝	+⅛
Compaq	3,726,900	55⅝	+⅞
Bankamerica	3,635,200	84⅝	+2⅛
LSI Logic	3,554,300	22	+2⅛
Hew-Pack	3,531,500	45⅝	+1⅛
Chase Man	3,519,300	74⅝	+3

■ TRADING ACTIVITY

● Volume (million)	Aug 2	Aug 1	Jul 31
New York SE	444,744	440,629	390,265
Amex	19,824	20,889	19,589
NASDAQ	592,093	514,854	494,045
NYSE			
Issues Traded	3,205	3,180	3,150
Rises	2,102	1,973	1,645
Falls	505	546	873
Unchanged	598	661	732
New Highs	135	75	32
New Lows	28	43	52

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	686.85	685.85	-0.50	686.25	685.20	75,775	181,050
Dec	-	672.25	-	-	-	1,163	10,013

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Sep	21180.0	21100.0	+100.0	21240.0	21070.0	12,748	233,585
Dec	21210.0	21180.0	+60.0	21250.0	21170.0	125	13,874

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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■ TOKYO – MOST ACTIVE STOCKS: Monday, August 5, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	4.7m	364	+4
TYK Corp	4.7m	1120	-10
Ishihara Hvy Ind	3.8m	537	+14
Kawasaki Steel	3.7m	385	+4
Furukawa Elect	3.5m	640	+13
Sumitomo Mtl Ind	2.9m	325	+1
NKK Corp	2.8m	306	
Toyota Motor	2.3m	2690	+20
Hitachi	2.1m	995	+8
Nomura Secs	2.1m	1900	+20

4 pm close August 5

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR x	0.48	2.4	19	283	19¾	18⅝	19⅞	+⅛
48⅛	35⅛	AMP x	1.00	2.5	18	3914	40½	39⅝	39⅝	-⅝
97½	68	AMR			16	5605	83	81⅞	83	+1¼
50½	37⅜	ASA	2.00	4.8	27	944	41½	40¾	41¼	+⅞
45⅝	38⅛	AbbttL	0.96	2.1	19	7176	u45⅝	45⅛	45½	+¼
17¼	12¼	AbitibiPr	0.40	3.1	6	274	12⅞	12¾	12⅞	
40⅞	27	ABM Ind	0.70	1.9	18	104	36¼	35⅞	36¼	+1⅛
18⅝	13⅞	Acpincoln			47	42	18	17⅞	18	-⅛
50⅞	37¾	ACE Ltd	0.58	1.3	10	2143	44⅞	43⅞	44	-⅞
10⅛	9⅛	ACM Gvt In	0.90	8.9	6	202	u10⅛	10	10⅛	+⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		47	7⅛	7	7	
7¼	6	ACM Gvt Sp	0.68	10.0		367	6⅝	6½	6⅝	
9⅛	8¼	ACM Gvt Se	0.90	10.3		202	8⅞	8¾	8¾	-⅛
9½	8⅜	ACM Man	0.90	9.7		300	[illegible]	9¼	9¼	-⅛
13⅞	6⅛	Acme Elect			43	28	8⅛	[illegible]	7⅞	-⅛
17½	15	Acme Mills			9	53	15⅝	15½	15½	-⅛
33¾	27¾	Acordia	0.80	2.6	18	67	31	30⅝	30⅝	-⅜
21⅞	12	Acuson			69	202	14⅛	13⅞	13⅞	-¼
19½	17⅞	Adams Expr	0.48	2.6	0	67	18¾	18⅝	18¾	
21¼	10¼	AdvMic			8	4065	12½	12¼	12½	
11⅛	8½	Advest Grp	0.16	1.6	7	66	10	9⅞	9⅞	
28⅛	8⅛	Advo Inc	0.70	1.0	508	276	10⅛	9⅞	10⅛	+¼
50⅞	41⅛	Aegon	1.19	2.5	14	29	48½	48	48	-⅜
6¾	3½	Aerflx			3	283	5⅝	5⅛	5½	
62⅛	57⅞	Aetna	2.76	4.5	61	4937	61⅞	59½	60⅞	+1¾
34½	28¼	Aflac	0.40	1.2	14	1005	34⅜	33¾	33¾	-¾
20⅞	17⅛	AGL Res	1.08	5.8	16	289	18½	18¼	18⅜	
26	21¼	Ahmanson	0.88	3.4	7	1155	25⅞	25⅜	25⅞	
60⅞	50⅞	AirPrC	1.10	2.0	14	709	54¼	53¾	53⅞	-⅝
28⅝	20¾	Airbne Frt	0.30	1.3	15	388	22¾	22⅜	22¾	+¼
22½	15½	Airgas Inc			31	1329	19⅝	19⅛	19¼	
18⅞	14⅝	Airtouch	1.80	11.7	10	21	15⅜	15¼	15⅜	+¼
33⅝	25	AirTch			78	5893	28½	27⅜	27½	-1
30¾	15⅞	Alaska Air	0.20	0.8	9	754	25¼	25	25⅛	+⅜

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FINANCIAL TIMES

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4 pm close August 5

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
20⅜	12	SciAtl	0.06	0.4	36	924	14¼	14	14½	+⅛
21	17	Scotsman	0.10	0.5	12	140	20⅛	19¾	20⅛	+¼
47½	39⅛	Scripps	0.52	1.2	24	95	42¾	42½	42⅝	
18⅛	13¾	[illegible]	0.02	0.1		72	13¾	13½	13⅝	
12⅞	11	[illegible]	0.10	1.3		279	12⅞	12¼	12⅜	
20½	16	[illegible] x	0.17	1.0	2	25	16⅞	16⅞	16⅞	+⅛
16	15	[illegible] 1.4625	1.46	9.6		5	15¼	15¼	15¼	
67¾	36⅛	[illegible]			23	5171	50⅜	49¼	49¼	-⅞
38⅜	30⅞	Seagram	0.60	1.8	23	2366	33⅞	33⅝	33⅝	+¼
26	17⅛	[illegible]			11	1060	18½	18⅛	18¼	-¼
38⅛	26	Sealed Air			24	1358	36⅛	35¼	35⅞	-⅛
53⅞	38¾	SearsR	0.92	2.2	15	6028	43⅛	42	42¼	-⅞
22⅜	19¼	[illegible] x	1.24	5.9	19	1205	21⅛	21	21	-⅛
13	11⅞	[illegible]	0.84	6.7		150	12½	12⅜	12½	
23¾	15⅝	[illegible] x	0.22	1.4	13	889	16⅜	16⅛	16⅛	-¼
44⅛	29½	[illegible]	0.60	1.4	112	31	42⅝	42½	42⅝	-⅛
50	39	[illegible]	0.50	1.1	124	80	47⅞	47¼	47¼	
60¼	39⅞	[illegible]	0.48	0.8	28	1849	57¾	56⅝	57⅛	+⅞
29½	18½	[illegible]	0.68	3.0	14	372	23⅜	22⅞	23	+⅛
6¾	4½	[illegible]			10	640	4⅝	4⅝	4⅝	
49¼	28½	[illegible]			7	1602	36⅛	35⅞	36	-⅛
15⅜	10⅝	[illegible]	0.30	2.2	34	1228	14¼	13⅝	13⅞	-⅜
12⅞	10⅛	[illegible]	0.32	2.5	15	184	12⅞	12	12⅞	+¼
89⅞	76⅝	ShellTr	3.29	3.8	18	84	86⅞	86¼	86⅝	+⅞
47	39	SherW	0.70	1.5	18	942	47	45⅞	46	-¼
[illegible]										

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

- T -

[illegible]

- U -

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 5

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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AMEX PRICES

4 pm close August 5

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FINANCIAL TIMES Tuesday August 6 1996

AMERICA

Acquisition flurry in three sectors

Wall Street

US shares drifted higher in light trading yesterday morning as the equity market took a breather after a four-session run that had added 4.5 per cent to the Dow Jones Industrial Average, *writes Richard Waters in New York*.

The pause came as the bond market, which had been one of the main forces behind the recent gains, settled back from the highs touched on Friday. By lunchtime, the benchmark 30-year bond had shed around ⅛ of a point to trade at 90$\frac{13}{32}$, for a yield of 6.749 per cent.

The biggest percentage gains of the morning came among companies in the Nasdaq composite, echoing the bounce in Nasdaq stocks late last week. These advances, however, still left the Nasdaq well off its high for the year.

At midday, the Dow Jones industrial average was up 6.29 at 5,686.12, while the Nadsaq composite was 3.01 higher at 1,127.93. The Standard & Poor's 500 had advanced 0.21 to 662.28.

Meanwhile, a renewed spate of big acquisitions brought a flurry of activity in three industry sectors which had already been the subject of extensive consolidation.

GE Capital announced an agreement to buy First Colony, an insurance company that was put up for sale two months ago, for $36.15 a share in cash. First Colony's shares jumped $4⅞, to $34⅞.

In the managed healthcare industry, meanwhile, PacifiCare said that it would buy FHP International in a deal that it valued at $35 a share, touching off a rally in a sector which had been battered in recent weeks by a string of earnings disappointments. FHP's shares rose 6\frac{11}{16}$ to 34\frac{13}{16}$. Among other gains, Oxford Health Plans rose $1⅜ to $39, Health Systems International climbed $1¼ to $22⅝ and Humana gained $⅝ to $17¼.

The third big announcement of the day brought a hostile bid for IES Industries, a mid-western electricity utility, from local rival MidAmerican Energy. The move echoed an attempt by Western Resources, a Kansas utility company, to break up an agreed offer for Kansas City Power & Light, and was taken as a sign of more contested takeover battles to follow. IES's shares rose $3¼, to $33¼.

● Toronto was closed for a holiday.

Mexico holds gain

Mexico City opened lower on profit-taking following a strong rally at the end of last week. By midday, however, the market had begun to recover slightly, with the IPC index standing up 3.39 at 3,190.52.

Equities gained almost 7 per cent last week on a brighter outlook for US interest rates.

One analyst remarked that the market had appeared to have broken its bearish trend, and was now likely to target the 3,220 level.

BUENOS AIRES was trading in a tight range by late morning and many brokers felt that the market would continue this pattern as investors digested last week's 10 per cent rally. The Merval index was off 1.12 at 553.37 by midday.

The Merval index jumped by 3.3 per cent on Friday helped by the fall in US long bond yields and prevailing optimism over the recent replacement of the former economy minister, Mr Domingo Cavallo.

The market's gains at the end of last week were also helped by positive tax revenue data for July.

SAO PAULO was weaker at the midsession point, almost erasing last Friday's 1.4 per cent rise. The Bovespa index was down 833 or 1.3 per cent at 62,803.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+0.44	-4.88	-3.40	+6.30	+3.61	+2.93
Belgium	+2.52	-1.17	+14.12	+6.61	+3.55	+2.96
Denmark	+1.64	-0.82	+11.83	+11.34	+8.78	+8.08
Finland	-2.76	-1.76	-10.69	+8.85	+8.03	+5.33
France	+2.80	-3.56	+6.23	+10.98	+8.85	+8.13
Germany	+1.48	-2.48	+10.06	+9.52	+6.78	+6.08
Ireland	+2.87	-1.32	+16.68	+9.83	+10.85	+10.11
Italy	+3.09	-6.24	-7.88	+1.33	+6.69	+6.00
Netherlands	+4.65	-2.59	+19.43	+12.64	+9.65	+8.92
Norway	+0.48	-3.65	+6.18	+9.02	+8.73	+8.01
Spain	+3.64	-2.03	+18.86	+12.96	+9.68	+8.95
Sweden	+4.30	-0.84	+12.85	+12.31	+14.02	+13.28
Switzerland	+1.93	-3.81	+35.10	+8.34	+4.28	+3.58
UK	+2.48	+0.69	+7.70	+2.79	+2.79	+2.11
EUROPE	+2.62	-1.72	+9.97	+7.10	+8.91	+8.21
Australia	+2.86	-0.23	+2.40	-0.87	+3.69	+3.00
Hong Kong	+2.32	-3.02	+13.96	+8.84	+9.52	+8.79
Japan	-0.12	-5.41	+19.06	+0.43	-2.49	-3.14
Malaysia	+0.94	-4.42	-1.76	+8.43	+11.10	+10.36
New Zealand	+2.78	+3.04	-0.37	+0.59	+5.81	+5.11
Singapore	+1.39	-5.02	+2.71	-3.98	-3.47	-4.11
Canada	+1.79	-0.41	+9.04	+7.72	+7.58	+6.86
USA	+4.21	+0.85	+18.29	+7.37	+8.09	+7.37
Mexico	+6.97	+0.91	+28.42	+14.90	+16.28	+17.49
South Africa	+0.58	-4.15	+18.33	+7.50	-11.82	-12.51
WORLD INDEX	+2.62	-1.56	+16.60	+5.60	+4.73	+4.04

† Based on August 2nd 1996.

EUROPE

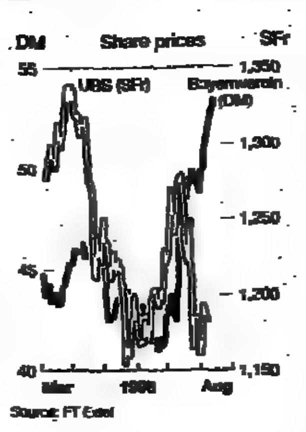
Banking stocks see action in D-Mark bloc

Banks saw action in the D-Mark bloc, Bayernhypo reporting in Germany, and UBS in Switzerland. However it was Bayernhypo's neighbour, Bayernverein, which took gold in FRANKFURT, where the shares rose DM1.55, or 3 per cent to DM53, as the Dax index gained a mere 0.26 to an Ibis-indicated 2,520.52.

Bayernhypo posted a 22 per cent rise in first half profits but Mr James Hyde of Williams de Broë said that it had had a substantially disappointing second quarter, with a significant slowdown in all income items. Costs accelerated slightly whereas their previous trend had been to decrease, and provisions were substantially higher than expected.

Bayernhypo's 36 pfg share price rise to DM43.40 was ascribed to the current fashion for the financial sector, and Bayernverein's outperformance to the thought that it must have been taking market share from its close competitor.

A higher dollar did little for cyclicals, BASF shedding 67 pfg at DM39.72 and most auto stocks losing ground; Hoechst rose 45 pfg to DM50.07, and Schering DM1.25 to DM103.25, but this reflected strong prospects for their jointly owned crop protection group, AgrEvo.



Source: FT Extel

Outside the Dax, the embattled Computer 2000, due to produce results after hours, fell DM9 to DM329, just above its low for the year. It said that it would comment then on a Der Spiegel report that it planned to omit dividend payouts.

ZURICH went both ways on the UBS half-year figures, peaking early at SFr1,211 on a 33 per cent increase in profits which prompted some analysts to raise their full year forecasts, but closing SFr9 lower at SFr1,184. Mr Hyde of Williams de Broë moved from a sell to a hold on the stock, which put him in a fairly neutral camp.

The broad market extended last week's gains, with the SMI index up 18.7 to 3,623.3. Dealers suspected switches from UBS to SBC, which closed SFr6.75 higher at SFr295.25; SBC is due to release half year results later this month.

AMSTERDAM was in a holding pattern as many investors either paused to reflect on last week's impressive 5 per cent gain, or left town for their summer holidays. Most of the session's activity seemed to come from individual investors, rather than institutions.

The AEX index slipped 0.38 to 550.12.

KLM, due to release first quarter figures today, went against the trend with a rise of 70 cents to Fl 56. Some analysts believed that the Dutch carrier would show a reasonable set of results, mainly due to the positive influence of its US partner, Northwest Airlines. However, they added, stripped of Northwest's contribution, KLM would probably show a decline in income.

KNP BT, which suffered a downgrade from James Capel at the end of last week, and had its prospective 1996 EPS cut by ING Barings from Fl 3.80 to Fl 1.90, fell 80 cents to Fl 35.40 after setting an intra-session year's low of Fl 35.30.

Among the dollar-sensitive multinationals Royal Dutch returned to favour with a gain of Fl 4.60 to Fl 251.40.

PARIS was very much in a wait-and-see mood, with turnover down to FFr2.4bn as the CAC-40 index eased 10.22 to 2,013.19.

A rumour earlier in the day that the prime minister, Mr Alain Juppé, had resigned, quickly dismissed as "absurd" by his office, weighed on sentiment and caused a ripple of selling in the currency markets.

Eurotunnel moved slightly against the trend, rising 5 centimes to FFr8 as the group announced July figures for the shuttle vehicle service. The company said that the number of tourist vehicles had doubled from the same 1995 period, while freight traffic was also significantly higher.

STOCKHOLM began the half year reporting season with results from Electrolux and Pharmacia & Upjohn, both of which came within expectations.

The Affärsvarlden general index rose 6.3 to 1,949.68. Electrolux added SKr11 or 3.3 per cent to SKr347 after reporting a half-year profit of SKr1.8bn compared to SKr2.1bn for the first half 1995. Pharmacia firmed SKr4 to SKr285.

The banking sector also witnessed some of the day's best gains, the sector index rising 1.8 per cent and S-E-Banken SKr1 to SKr56.50.

MILAN concentrated its attention on the telecoms sector once again with investors eagerly searching out Stet in anticipation of an announcement from the government, possibly today, regarding plans for privatisation.

The Mibtel index lost 31 to 9,768, while the Comit gained 1.30 at 614.92. Turnover was weak at some L400bn.

Stet gained L70 to L5,030, while Sirti advanced L300 to L10,015, Telecom Italia L35 to L2,925 and TIM eased L10 to L3,300.

OSLO was hit by a disappointing set of figures from Nycomed, the pharmaceuticals company, as the Total index slipped 2.0 to 817.21 in turnover of NKr491m.

Nycomed lost NKr7.50 to NKr79, a 1996 low, on weaker than expected results which showed a 36 per cent fall for the first six months compared with the same period last year.

HELSINKI was helped higher by Nokia after the company announced an order from the US worth $100m for handsets. The company's shares rose FM3 to FM166.50.

The HEX index added 8.07 to 2,012.10 on turnover of FM166.6m. Amer, the sporting goods group, dropped FM3.60 to FM93.40 after it said that it would restructure its Wilson division. Analysts had thought that the restructuring would go beyond golfing equipment when the shares leapt 12.6 per cent last Friday.

WARSAW jumped 3.9 per cent after a four day slide, the WIG index rising 487.0 to 12,823.8. But analysts said that this stemmed from a spate of buy orders delayed by a computer failure last Friday, and some of them predicted flat share prices or worse for later this week.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Aug 5							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1646.17	1647.23	1647.51	1647.59	1647.08	1645.50	1645.23	1644.68
FT-SE Eurotrack 200	1698.23	1699.32	1699.63	1699.87	1700.08	1698.96	1699.00	1698.54
	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29			
FT-SE Eurotrack 100	1631.85	1608.18	1598.93	1592.93	1600.00			
FT-SE Eurotrack 200	1684.27	1657.27	1652.28	1648.68	1654.71			

Base value 1000 (26/10/90). Highday: 100 - 1647.85; 200 - 1700.97 Lowday: 100 - 1644.45 200 - 1697.97. † Partial.

ASIA PACIFIC

Nikkei average up 1.7% to recover 21,000 level

Tokyo

Last Friday's strength on Wall Street helped the Nikkei average recover the 21,000 level for the first time in six trading days, *writes Emiko Terazono in Tokyo*.

The 225 index rose 137.06 to 21,077.47 after moving between 21,019.80 and 21,188.10. The rise on Wall Street calmed lingering concerns over a possible shift in the Bank of Japan's monetary policy.

Volume totalled 231.3m shares, the lowest for the year. Fund managers were away for summer vacation and activity was dominated by arbitrageurs, said traders. Overseas investors, who had been leading sellers, bought large capital steels and shipbuilders but domestic institutions remained on the sidelines.

The Topix index of all first section stocks rose 3.91 to 1,601.88, while the Nikkei 300 gained 1.00 to 297.87. Advances led declines by 597 to 438, with 181 unchanged.

In London, the ISE/Nikkei 50 index rose 0.37 to 1426.94.

In steels and shipbuilders, Nippon Steel, the most active issue of the day, rose Y4 to Y364 and and Ishikawajima-Harima Heavy Industries Y14 to Y537.

The rise in high-technology stocks on Wall Street supported the sector. Hitachi rose Y8 to Y995, and Sony gained Y40 to Y6,960. Electric cable and wire makers were higher with Furukawa Electric up Y13 to Y640.

Speculative favourites were mixed. TYK, the firebrick maker, fell Y10 to Y1,120 but Nichiboshin, the non-bank money lender, rose Y80 to Y375.

In Osaka, the OSE average rose 38.23 to 22,114.70 in volume of 38.3m shares. Kanematsu NNK, the speculative favourite, plunged Y460 to Y3,610.

Roundup

Awaiting HSBC results after the close, **HONG KONG** climbed 1 per cent in spite of profit-taking later in the day. The Hang Seng index rose 109.46 to 11,071.43 in turnover of HK$5.3bn.

HSBC and its subsidiary, Hang Seng Bank, saw profit-taking, with the parent rising HK$1 to HK$128, off a high of HK$129.50, and Hang Seng Bank 55 cents to HK$79 after HK$80. Later, HSBC reported a higher than expected 32 per cent rise in profits.

Utilities led the market with a sector gain of 1.5 per cent. Hongkong Electric rose 70 cents to HK$23.90 ahead of Thursday's first half earnings.

Great Eagle Holdings rose 85 cents to HK$23.35 on separate listing plans for its office and commercial property interests.

BANGKOK continued its recovery, rising nearly 3 per cent on blue chip buying, with the SET index up 32.61 at 1,137.44 in turnover of Bt5.4bn.

The gain was triggered largely by the announcement at the end of last week that a Bt21bn relief fund was being established by local brokerage houses and banks. Brokers said yesterday that the fund was expected to make itself felt later this week.

Bangkok Bank was the most active issue, rising Bt6 to Bt218, while Krung Thai Bank gained Bt6 to Bt111.

KUALA LUMPUR was helped by good May trade figures, although overall sentiment was marred by a fall in Tenaga Nasional, the electricity utility, due toheavy selling by institutions following a 16-hour nationwide blackout over the weekend.

The composite index advanced 10.12, or 1 per cent, to 1,106.29. Tenaga fell 46 cents to M$9.75 with some analysts remarking that the latest power failure could lead to the utility losing its monopoly.

BOMBAY fell back in spite of some buying by overseas investors. The BSE index slipped 28.95 to 3,482.68, bringing its decline since last month's budget to 8 per cent. Steels were active on a report that a 12.9 per cent tax, which was introduced in the budget, might be withdrawn.

SYDNEY was stronger with most of the gains coming during the morning. The All Ordinaries index rose 25.1 to 2,233.7 in turnover of A$582.8m.

Coca-Cola Amatil rose 14 cents to A$15.55 ahead of first half results expected tomorrow.

KARACHI, up 3.6 per cent on short covering last Thursday and closed on Sunday because of the death of a member, fell back with the KSE-100 index down 9.67 at 1,498.71; dealers blamed a delay in an IMF visit, caused by budget haggling, and an opposition strike call for Thursday.

SEOUL's construction sector was weakened by news that Kun Young Construction had defaulted on Won1.9bn of promissory notes. Kung Young fell Won 240 to Won3,830; its main creditor, Seoulbank, which said that it would extend an emergency loan, dropped Won100 to Won5,150 as composite index closed 0.22 higher at 824.30.

MANILA saw strength in Ayala Land, up a peso to 47.50 after the government reported lower than expected inflation for July, but the composite index slipped 1.24 to 3,153.98 on profit-taking.

Golds lift Jo'burg

Johannesburg was propelled higher by golds as the price of bullion rose to its best level in in three weeks. The overall index gained 82.9, or 1.2 per cent, to 6,776, with foreign institutions making substantial purchases.

The gold index added 51.6 to 1,860.6 and industrials made 103 to 8,016.3.

Among the main movers, Anglo was up R1.25 at R250.25, while Rembrandt added R1.75 to R40 and Gold Fields addedR5.50 at R137. Vaal Reefs put on R8.50 to R377 and Western Deep Levels gained R4 to R178.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 2 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	THURSDAY AUGUST 1 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	195.74	0.7	158.16	132.32	150.39	168.44	0.6	4.35	194.35	185.04	131.15	148.89	167.40	212.18	177.98	183.62
Austria (24)	179.64	-0.7	172.69	121.44	138.03	137.97	-0.4	2.04	180.83	172.17	122.03	138.54	138.47	[illegible]	168.11	[illegible]
Belgium (27)	215.33	0.1	207.00	145.57	165.45	161.93	0.5	4.11	215.03	204.74	145.11	164.74	161.05	215.81	186.06	200.20
Brazil (28)	181.04	1.6	174.03	122.39	139.10	336.50	1.5	1.90	178.19	169.65	120.24	136.51	331.53	189.70	123.97	141.46
Canada (119)	158.63	1.2	152.43	107.24	121.88	157.92	1.3	2.27	156.78	149.27	105.79	120.11	155.85	165.12	134.14	147.20
Denmark (30)	312.04	0.6	299.96	210.94	233.75	242.35	0.9	1.89	310.23	295.37	209.35	237.67	240.29	312.04	276.89	294.00
Finland (23)	197.04	1.1	189.42	133.20	151.40	185.56	1.0	2.68	194.98	185.64	131.57	149.37	183.70	276.11	171.73	261.14
France (95)	194.00	0.4	186.49	131.15	149.06	152.74	0.7	3.16	193.23	183.98	130.39	148.03	151.62	198.39	167.70	190.38
Germany (58)	173.64	0.3	166.92	117.38	133.41	133.41	0.6	1.83	173.19	164.90	116.87	132.68	132.68	174.38	155.66	168.94
Hong Kong (59)	421.78	1.5	405.46	285.13	324.07	416.90	1.5	3.42	415.63	395.73	280.47	318.42	412.72	451.19	348.61	370.01
Indonesia (27)	196.41	3.0	188.81	132.78	150.91	292.37	2.8	1.86	190.71	181.58	128.63	146.10	274.59	–	–	–
Ireland (16)	281.35	0.9	273.47	190.20	216.18	246.71	1.7	3.53	278.74	265.39	188.09	213.54	242.68	280.82	235.88	246.24
Italy (58)	78.12	1.1	75.09	52.81	60.02	68.49	1.3	2.43	77.27	73.57	52.14	59.19	87.35	84.53	67.22	80.91
Japan (481)	150.07	-0.2	144.26	101.45	115.30	101.45	0.0	0.75	150.36	143.16	101.46	115.19	101.46	164.68	137.75	148.68
Malaysia (107)	535.39	0.8	514.67	361.93	411.36	514.40	0.8	1.74	531.18	505.75	358.45	406.94	510.32	585.09	425.77	552.88
Mexico (19)	1216.95	3.3	1169.86	822.57	935.03	10025.66	2.9	1.33	1178.44	1122.01	795.22	902.81	9745.14	1325.65	791.99	1186.72
Netherland (19)	297.06	1.3	285.57	200.82	228.24	224.77	1.6	3.21	293.35	279.30	197.96	224.74	221.28	298.69	245.79	[illegible]
New Zealand (15)	83.73	0.1	80.49	56.60	64.33	65.07	0.0	4.17	83.66	79.65	56.45	64.09	65.06	84.71	75.94	82.63
Norway (35)	249.80	0.8	240.14	168.87	191.93	216.23	1.0	2.09	247.87	236.00	167.26	189.89	214.09	256.94	222.24	243.14
Philippines (22)	208.17	2.6	198.20	139.38	158.41	269.15	2.6	0.61	200.98	191.36	135.62	153.97	262.36	–	–	–
Singapore (44)	390.47	1.1	375.36	263.96	300.01	254.88	1.2	1.49	386.34	367.84	260.71	295.98	251.75	465.21	355.01	385.14
South Africa (44)	337.14	2.2	324.09	227.91	259.04	330.06	1.7	2.25	329.72	313.93	222.50	252.60	324.66	437.78	329.57	352.62
Spain (37)	179.98	1.7	173.02	121.67	138.29	171.51	1.8	3.41	176.95	168.47	119.40	135.56	168.41	183.85	145.15	159.46
Sweden (48)	353.48	2.0	339.80	238.96	271.59	343.90	2.1	2.48	346.39	329.80	233.74	265.37	336.88	360.77	280.13	289.12
Switzerland (37)	244.45	2.7	234.99	165.25	187.82	182.39	2.9	1.62	238.07	226.67	160.65	182.39	177.23	252.34	191.24	203.17
Thailand (45)	147.32	0.9	141.62	99.59	113.19	144.46	0.8	2.31	146.00	139.01	98.52	111.85	143.11	193.95	141.28	171.73
United Kingdom (199)	235.41	-0.1	226.30	159.14	180.88	226.30	0.9	4.16	235.56	224.28	158.96	180.46	224.28	237.48	216.52	226.76
USA (625)	269.77	1.9	259.33	182.37	207.27	269.77	1.8	2.19	264.67	251.99	178.60	202.76	264.67	276.47	226.74	228.06
Americas (791)	248.45	1.8	238.91	166.60	190.38	207.26	1.9	2.19	241.86	230.27	163.21	185.29	203.39	252.43	208.19	209.20
Europe (706)	211.34	0.7	203.16	142.87	162.39	181.96	1.2	3.10	209.90	199.85	141.64	160.80	179.81	213.30	185.33	198.89
Nordic (136)	305.22	1.6	293.41	206.33	234.52	259.85	1.6	2.37	300.57	296.16	202.83	230.27	256.68	306.61	261.13	280.50
Pacific Basin (880)	162.48	0.1	156.20	109.84	124.84	112.48	0.2	1.21	162.38	154.60	109.58	124.40	112.24	177.01	148.86	169.67
Euro-Pacific (1586)	182.72	0.4	175.65	123.52	140.39	138.74	0.7	2.12	182.06	173.34	122.88	139.48	137.81	190.57	165.51	175.91
North America (744)	262.91	1.9	252.74	177.73	202.00	262.31	1.9	2.20	258.03	245.67	174.12	197.68	257.42	269.52	221.79	223.05
Europe Ex. UK (507)	193.01	1.1	185.55	130.48	148.30	156.16	1.4	2.54	190.93	181.79	128.84	146.27	154.08	194.86	169.65	179.30
Pacific Ex. Japan (399)	278.08	1.1	267.32	187.99	213.66	241.50	1.1	3.04	275.02	261.85	185.59	210.70	238.85	296.68	243.59	264.05
World Ex. US (1796)	183.89	0.5	176.78	124.31	141.29	143.28	0.7	2.12	183.07	174.30	123.53	140.25	142.23	191.55	167.38	178.84
World Ex. UK (2222)	208.02	1.2	199.97	140.63	159.83	174.95	1.3	1.95	205.58	195.73	138.73	157.50	172.75	213.05	185.61	189.06
World Ex. Japan (1940)	243.54	1.4	234.12	164.64	187.12	229.57	1.6	2.55	240.08	228.58	162.01	183.92	225.94	247.55	212.82	217.06
The World Index (2421)	210.46	1.1	202.31	142.27	161.70	179.65	1.2	2.15	208.22	198.25	140.51	159.52	177.45	214.95	188.48	192.34

Latest prices were unavailable for this edition.

TECHNOLOGY

The Internet is enabling gene hunters to tap into a global database, writes Marjorie Shaffer

Genetic gold rush

Gene hunters all over the world are surfing the Internet looking for snippets of DNA that will guide them to cancer genes, infection-causing proteins and the keys to a host of genetic abnormalities.

There are now so many Web sites for genes linked to various diseases that researchers who do not learn how to surf the Net may miss out on a scientific gold rush that is transforming the way biologists do their work.

"It is such an exciting area that somebody who isn't using the Internet right now will be left behind," says Scott Kern, a researcher at Johns Hopkins University in Baltimore, who recently identified a gene that activates pancreatic cancer.

The volume of DNA sequences being dumped daily on to the Net prompts Kern to speculate that by the end of next year most newly identified genes will be cloned with the aid of these sequences.

He and many other researchers talk about doing "virtual cloning" and "armchair genetics" because they can use libraries of DNA to deduce the presence of a gene without doing much laboratory work. "It takes the drudgery out of cloning," says Kern.

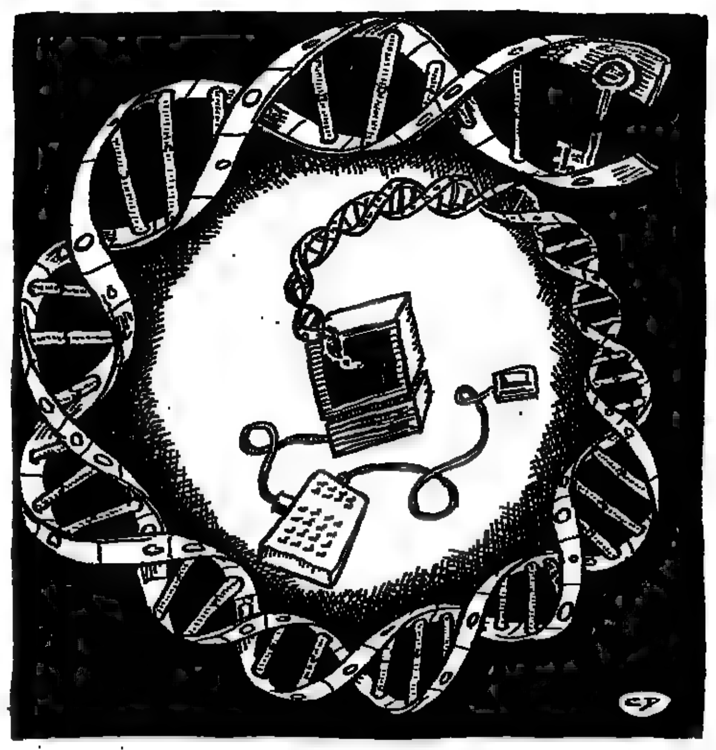
It is becoming common for editors of "peer-reviewed" scientific journals to ask researchers to deposit their sequences in a database – which are accessed via the Net – before publishing their articles. The number of sequences deposited in GenBank, the repository run by the National Centre for Biotechnology Information, for example, is doubling every 12 months, says David Lipman, who heads the centre. Until 1995, the doubling time was about 21 months.

Government-funded gene data repositories have opened in Japan and Europe, and along with the GenBank, all three centres exchange newly deposited DNA sequences with one another on a daily basis. GenBank receives 30,000 requests for information via the Internet each day.

Biotechnology and pharmaceutical companies have also begun to realise the potential of genetic databases, and are recruiting researchers who can design computer programs to sift through the databases. "Every biotechnology company now has some kind of genome utilisation project under way," says Frank Calzone, a researcher at Amgen, the biotechnology company based in California. "We sure couldn't work without these databases," he says. A genome is the blueprint or "map" of a living thing's genetic material.

Gene hunters have already benefited from using clues from DNA sequences posted on the Net. The international group that recently discovered the breast cancer gene BRCA-2, for example, searched for the gene in the same region of *chromosome* 13 where one of the genes for pancreatic cancer lies. And mutations in BRCA-2 among families with a history of breast cancer were far more easily identified because groups at Washington University School of Medicine in St Louis and the Sanger Centre near Cambridge in the UK, put the entire sequence of the region containing the breast cancer gene directly on to the Net.

"The Internet is indispensable at this point," says Robert Waterston, who heads the Genome Sequencing Centre at Washington University, which is unravelling parts of the human genome and is collaborating with Sanger to unlock the genetic blueprint of the roundworm.



Raw DNA sequences are similar to hieroglyphics without the Rosetta stone; they may contain hundreds of genes but are meaningless babble until properly interpreted. Although biotechnology companies have submitted many thousands of sequences to the US Patent Office, the office has not yet ruled on whether raw sequences can be patented. Only genes, so far, have been patented.

Waterston believes that DNA sequences should be released rapidly over the Internet and made available to anyone who wants to use them. "Clearly, you need to patent at some point before drug companies will invest. But at this point, we are at this very early stage and there is such a wealth of information in these sequences that it is inappropriate and counterproductive to lock it up in the hands of a few companies.

"We are generating about 1m to 2m base pairs a month and we submit [the data] over the Internet for anybody in the world to see and inspect," says Waterston. (Base pairs are the building blocks of DNA.)

Under an agreement with Merck, the big US drug company, the Washington University group is also deciphering random bits of genetic information culled from human tissues such as the brain, liver and spleen and is sending its results immediately to GenBank. Merck is collating the information for its Gene Index, another public database.

The Merck agreement has partly closed the information gap between sequencing companies such as Human Genome Sciences in Maryland and publicly available databases such as GenBank, according to Kern. "I think that Merck really levelled the playing field for everybody. The genomic data being compiled by companies is increasingly worthless because much of that work has been copied by others and is available publicly," he says.

On the other hand, outsiders do not know exactly what sequences companies do have. Meanwhile, pharmaceutical and biotechnology companies are combing through the genetic maps of infectious organisms hoping to find new targets for vaccines and medicines. And there have already been cases where researchers have not put sequences into public databases until patents were filed.

But at this point, Waterston argues that it will take many years for companies to produce medicines based on genome sequencing. "People talk about the rapid release of sequences as a danger to the biotech industry," he said. "I think it is just the opposite. If you don't have the sequences out there for everybody to see, the chances for discoveries to benefit human health will go way down."

A speedy researcher

Access to online databases has revolutionised the speed and effectiveness of research at Peptide Therapeutics, the Cambridge-based company which aims to identify therapies for common diseases such as asthma, arthritis and meningitis.

Richard Scott, whose work involves experimenting with models of molecules to manipulate their structure, reckons his time to be about 20 times more effective with the Net.

"I use the Internet to log on to up-to-date databases containing three-dimensional molecular structures," he says. "Before the Internet such databases would be sent on disc or tape in the post and updated only every six months – so it took longer and cost more to access less reliable information in an industry where speed to market is vital."

The company connected to the Internet in November, using a high-speed, high-bandwidth ISDN line from UUNET Pipex, the big European Internet service provider.

Peptide hooked up to the Net because it believed this would transform its communications and information gathering in terms of speed and cost. "E-mail is an essential tool in our industry, and many of the applications available on the Internet free and by subscription provide competitive advantage," says Ian McKendrick, the company's network manager.

Terry Hart, director of medicinal chemistry, says "tools available over the Net are saving us millions. For example, Scifinder, which searches for information on the Internet and costs just $18 [£11.50], can quickly access all the information published in the Chemical Abstracts Database over the last 30 years at the cost of a local phone call."

The company has also established an intranet – which has allowed full sharing of information internally, says Peter Laing, director of research.

AB

Joint venture for knees

Andrew Baxter on a new design of brace for sports players

With the Olympics over, US sports fans are turning their attentions to American football. The players will be looking forward to a new season too, but will also be wondering whether they will get through it without injury.

In football, ice hockey and many other contact sports, the knee joint is one of the body parts most at risk. It has a large range of movement, but its stability depends on ligaments which can be damaged by side impact, forced movement of one bone relative to the other, or lateral twisting of the lower leg.

Hundreds of different types of sporting knee braces are available, from elastic sleeves that offer some stabilisation to larger medical-type braces with metal bars down both sides and straps.

The problem for designers, however, is that the knee has no single pivot or hinge because of its rolling action. A knee brace that imposes its own centre of rotation could restrict a player's action or begin to move about on the leg.

Today, at the ISPO sports equipment exhibition in Munich, Kelvin Doyle, a UK physics graduate and entrepreneur, is due to unveil the Panther Knee Protector, which he believes to be a cost-efficient and effective solution to the design problem. Several sports injury experts and academics who have seen the prototype agree.

The key to the design is an arrangement of three separate hinges which ensure that the brace does not impose its own pivot on the knee. A sliding bearing allows the lower section to rotate, while a rigid strap round the back of the upper section keeps the brace firmly in place.

Collectively, these elements make the design unique, says Doyle, and give protection from injury without compromising the user's mobility – the knee brace will weigh only between 7oz and 10oz.

This is crucial to the product's commercial future, as sales will be much higher if the product is used widely as a preventative brace rather than one that is applied only after an injury. For this reason, the Panther has to appeal to image-conscious sporting types and not look too "medical".

Panther: image-conscious appeal

Since 1994, Doyle has been working closely with Mike Dewar, senior research fellow at University College London, who has been supervising prototype development. The brace has been undergoing field trials in Europe and, from September, two unnamed National Football League and National Hockey League teams in the US will be trying it.

The knee brace will be made of carbon-fibre or less expensive reinforced plastic, and come with or without a kneecap cover. Prices will range from £250 to £750, although bespoke versions will be more expensive.

Manufacturing is due to begin this autumn, says Doyle, with assembly by his own company, Doyle Manufacturing Corporation, from parts made by subcontractors. A non-exclusive deal is being arranged for Vulkan, a Swedish manufacturer of flexible knee braces, to distribute the Panther worldwide, outside the US.

BUSINESSES FOR SALE

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For further information please contact the Joint Administrative Receiver, John BR Dare, quoting ref MS/RFC, KPMG, Dukes Keep, Marsh Lane, Southampton SO14 3EX.
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صكنا من الاصل

Summer Music in America: Tanglewood

Nostalgia for 'Peter Grimes'

Here is the elegant homestead, with its panorama of lake and woodland, where the great Russian emigré conductor Serge Koussevitzky prepared his scores every summer. Down the hillside, next to a wooden hut, are the benches where Leonard Bernstein and Aaron Copland used to sit during breaks in their teaching schedule.

A little further on, you can see the boathouse where Paul Hindemith gave composition classes. And across the lawn from the Shed, on the wall of the original manor house, is a copy of Benjamin Britten's letter to Koussevitzky, dated February 15 1942, in which he says: "I don't know whether I can convey to you the excitement and gratitude this commission [*Peter Grimes*] gives me. I find it difficult to think of anything else."

This is Tanglewood Music Center, situated in the Berkshire hills of Massachusetts about three hours' drive from Boston. With its serene landscape, informal atmosphere and simple amenities, Tanglewood is a place where musicians love to work. Koussevitzky founded it in the late 1930s with two aims: to provide a summer home for his orchestra, the Boston Symphony, and to be the site of an academy for advanced training, attracting bright young musicians.

Koussevitzky's ideals are cherished to this day. Every summer, up to 400 students live and work alongside principal players of the BSO and distinguished guest teachers, all united in pursuit of musical excellence. The focal point of their activities this year was a 50th anniversary production of *Peter Grimes*, the work which put Tanglewood on the map after the second world war.

The production was full of echoes of the past. As in 1946, when Tanglewood gave the American premiere under the youthful Bernstein, it was sung by students, with an orchestra of young professionals. Tanglewood's rudimentary theatre is much the same as it was then, and the performance I heard last week captured the honest spirit that critics singled out 50 years ago.

Tanglewood really is unique. What other leading orchestra combines its own festival with an advanced training programme? Where else can students rub shoulders on a daily basis with world-class performers? And what other festival is so remote and yet so high-powered?

In fact, the canopy of trees across the Berkshire hills camouflages a large, cultured population, most of them New Yorkers and New Englanders on holiday. Victorian timber cottages abound, and there are many small-scale theatre and chamber music festivals.

Tanglewood overshadows them all. The big draw is the programme of weekend concerts in the Shed – a large open-backed auditorium shaped like a fan, allowing picnickers to listen from the surrounding lawns. Some of the programmes are very ordinary; some are poorly rehearsed.

But to focus on the symphony concerts alone would be to miss the spirit of Tanglewood. The place is a hive of round-the-clock activity, of open rehearsals, private tutorials, chamber music sessions and frenetic study. This side of Tanglewood has had a higher public profile since the inauguration two years ago of Seiji Ozawa Hall, a 1,180-seat showcase for student concerts, masterclasses and recitals.

With its barn-like roof, red brick walls and wooden verandas, the hall has the air of a New England meeting house, blending perfectly with its surroundings. There are no interior walkways: the doors lead directly on to the lawn and are made of glass, so that the audience does not feel closed in. In true Tanglewood style, the back wall opens up so that others can listen outside. Here is a musician's paradise, with an acoustic to match – a rare blend of clarity, depth and intimacy.

Ozawa Hall, named after the BSO's long-serving music director, was made possible after the purchase of an estate adjoining Tanglewood, nearly doubling its groundspace. Without it, this summer's *Peter Grimes* would not have taken place. It has released the Tanglewood theatre for the purpose for which it was built in 1941 – student opera performances.

In its early years, Tanglewood's opera course was the only one of its kind in the US, its alumni including Leontyne Price, Shirley Verrett and Sherrill Milnes. When Erich Leinsdorf closed it in the early 1960s, to concentrate resources on other student programmes, the theatre pit was covered, and other festivals – notably Santa Fe – stepped in to fill the gap. Tanglewood's vocal programme focused instead on Lieder and oratorio, and the theatre became a venue for student concerts.

Now that Ozawa Hall has taken over that function, a debate has been sparked about how far Tanglewood should revive its opera programme. There are many arguments in its favour: the theatre itself has an acoustic of thrilling immediacy; vocal training which ignores opera is incomplete; and Ozawa's theatre work is the one area where he continues to grow as a conductor. Running against these arguments is the fear that opera might change the character of Tanglewood and swallow too much money.

Peter Grimes seems to point the way forward. It was enough of a success to justify future productions, perhaps every two or three years. In between, less ambitious projects could be tackled.

First, however, there are some lessons to be learned. Instead of allowing the *Grimes* anniversary to become an exercise in nostalgia, Tanglewood should have commissioned a new opera – a gesture which would have shown faith in the future, just as Koussevitzky did in 1942.

And the production should have reflected Koussevitzky's desire for "new stage and production techniques, new methods and new attitudes, all leading to a more vital presentation of music drama".

Instead, what we saw was a wooden staging, offering minimal insight into character and drama. The decor – a stone façade for the indoor scenes, a pier-platform for outdoors – provided a versatile setting, but lighting and costumes were unimaginative. The chorus did little but stand, sing and spectate, and Grimes was portrayed as a violent misfit, with no redeeming traits.

In compensation, the musical interpretation was unfailingly precise – particularly in the big choral numbers. The Tanglewood Music Center Orchestra gave an energetic, virtuoso account of the score: Ozawa's commitment was audible in every bar. The astonishing aspect of the performance was the way the spirit of Lennie seemed to hover over the interludes. Here were the jazzy rhythms and syncopations that Britten unwittingly absorbed during his American sojourn.

Notwithstanding the mild impact of *Grimes*, I was loath to leave Tanglewood. I wanted to stay to hear Stockhausen's *Mantra* this weekend in Ozawa Hall, to eavesdrop on Yo-Yo Ma's cello masterclasses, to talk to Fellows of the composition faculty, to watch Bernard Haitink preparing *Daphnis et Chloe*. These and other pleasures must await my return another year.

Andrew Clark

Theatre/**Ian Shuttleworth**

Hedda stays ahead of pack

Alexandra Gilbreath's performance in the title role of Ibsen's play *Hedda Gabler* has been fêted long before the production's arrival in London. Hers is a very different *Hedda* from the norm. We are used to seeing the character portrayed as a woman probably indulged in her younger days by her late father, the General (whose portrait hangs here in the upstage closet of Pamela Howard's striking design), stifled by her marriage to an arid scholarly wimp and keeping her natural passions in check with difficulty.

Gilbreath's Hedda is all cool patrician reserve, ramrod-backed and speaking with a palpably controlled affectation of languor. One gets the feeling that her fondness for playing with the General's pistols derives not from tomboyish licence in her childhood but because she grew up in a milieu where handling guns was a natural recreational activity. When she first encourages former lover Ejlert Lovborg to return to his old rakehell ways and later exhorts him to ~~take the grandly~~ romantic way out of his despair, this Hedda seems not to be motivated by either heartfelt desires or reckless capriciousness but rather someone who simply cannot conceive of not getting her own way with others.

In Stephen Unwin's English Touring Theatre production, Hedda's husband has more to him than usual. Crispin Letts invests Jorgen Tesman with more backbone than the normal characterisation as a clownish swot. His dedication to his aunts (Ann Firbank giving a fine, perfectly neutral performance as Aunt Julia) is a matter of familial duty rather than apron-string devotion.

All of which said, Unwin's production does not quite spark. Gilbreath's characterisation, although brilliant, leaves faint credibility gaps when she begins to envisage vine leaves in Lovborg's hair and when events overtake her in the final act: the outbreaks of shocked realisation clash with her customary composure rather than integrating into a continuous degeneration.

Jonathan Phillips is a little too self-conscious to be as dashing as Lovborg is required to be, and David Killick as Judge Brack, while skilfully matching Hedda's urbanity throughout, underplays the final movement in which she finds herself entrapped in his silken web. Nevertheless, in the trade-off between clarity of behaviour and potency of emotion, this version (in a translation by the increasingly ubiquitous Kenneth McLeish) comes out well ahead of the pack.

At the Donmar Warehouse, London EC2, until August 31 (0171-867 1150).

Alastair Muir

Cool reserve: Alexandra Gilbreath in 'Hedda Gabler'

Sponsorship

Inner-cities gain funds

Lottery funding seems to extend its influence by the day. Two weeks ago prime minister John Major threw millions of pounds the way of sports training, and last week heritage secretary Virginia Bottomley said it was lottery money that would technologically transform the UK's museums. Yesterday inner-city generation, under the loose disguise of arts expenditure, received the magic touch.

The Arts Council has given £13.75m to the chronically deprived London borough of Newham to transform its dreary centre at Stratford. Much of the money will go to the Theatre Royal, Stratford East, which gains a new back stage, and rehearsal and office facilities. There will also be a new performing arts centre as part of the £18.6m scheme.

Another area not recognised for its arts culture in the past, Luton, gets £3.5m to create a visual arts gallery, dance space, recording studio and more in Bute Street; Kirklees in West Yorkshire can now convert a 19th century Methodist chapel in the town centre into an arts venue, with a £1m grant; while Interchange, one of the great names from the past in alternative arts, has been awarded £4.85m to establish a community based arts centre in the old Hampstead Town Hall.

All told the Arts Council announced 66 grants yesterday, totalling £41m. Among the main awards were £3.2m to enable the Royal Exchange Theatre in Manchester, badly damaged in the recent IRA bombing, to buy the lease of the theatre, which will be refurbished, and £2.7m for Wavendon, the music centre near Milton Keynes.

This award will probably arouse some tabloid fury since Cleo Laine, who with husband John Dankworth has laboured long to build up Wavendon as a leading music education centre, sits on the lottery panel. But the panel would be quite unprofessional if it did not include movers and shakers in the arts world, and the arts would suffer if such activists were not planning to expand their activities through lottery money.

Among the awards distributed yesterday with great potential was the £80,000 for the LSO to undertake a feasibility study to convert St Luke's Church, close to its Barbican headquarters, into an education centre. The planned multi-million pounds scheme will enable the LSO to take education projects into schools throughout the UK. The church will also provide recording and rehearsal facilities.

The ability of lottery money to go straight into the creation of art, or at least into the pockets of artists, was illustrated in a raft of commissions. The South Bank Employer's Group receives £850,000 to help improve the look of this part of London with new art; Durham Cathedral can now ask American video artist Bill Viola to create a work, thanks to a £97,000 grant; Andy Goldsworthy gets the go ahead for his plan to create 100 sheepfolds-come-sculptures in the north, with a £342,000 grant; and eight artists and designers in Hackney share £141,180 to create art works for Hackney Community College.

The Arts Council is keeping a keen eye on the money it commits. In theory, it has distributed £494m so far to 857 projects. But less than £70m of this has actually been handed over. It pays the bills for work done, not for projects planned.

Antony Thorncroft

Theatre/**David Benedict**

A balloon full of wonder

Albert Lamorisse's poignant, virtually wordless 1956 film about a lonely young boy trailing after a balloon through the Paris streets is one of the great cinematic shorts. The screenplay went through 42 drafts. Anthony Clark and composer Mark Vibrans's musical version is now in its fourth incarnation after stagings in Manchester, Bristol and Birmingham. With each revival, its creators have re-adapted the show tailoring it to each space and tapping into ever more inventive theatrical possibilities.

Messing with masterpieces is a risky business. Turning a film like *Les Enfants du Paradis* into a play or crushing the comic genius of *Some Like It Hot* into a Tommy Steele musical reveals a disregard for laws about form and content. "If it ain't broke, don't fix it" is a more than useful rule of thumb. Yet for all the turkeys, there are a handful of triumphs. *My Fair Lady* is one; *The Red Balloon* another.

Instead of building the illusion by hiding the technology, Clark, who also directs, is at pains to display the mechanics involved. The helium-filled balloon is guided by a silent, lithe performer (Malcolm Shields) who controls it via lengths of wire attached to two short rods, in the manner of a stunt-kite. Ironically, this heightens the all-important sense of wonder and magic.

Designer Ruari Murchison capitalises on the open stage, with the children chasing the balloon up enormous pieces of set, and he also comes up with witty ideas for the different locations. The school is represented by an enormous blackboard with windows sketched in with chalk. And the cast is squeezed on to a couple of benches in front of the splendidly stern Mlle Elaine (Joanna John).

Clark refuses to shy away from the melancholic mood and his cast eschew the patronising tone which can afflict children's theatre. Excluding giggles of surprise and delight at Pascal's stray cat "pooing" on the carpet or laughter at the antics of the balloon "with a life of its own", the very young audience I was with remained rapt and silent throughout the hour-long first half.

With her wide gamine features and straight hair, actress Nicky Adams's Pascal looks as if she were plucked straight out of 1950s Paris. She invests Pascal with a remarkable openness and simplicity which carries into her clear, pure, singing voice. Vibrans's evocative music, scored for woodwind, horn, keyboards and percussion is largely responsible for the show's spellbinding, mysterious tone.

Whether it's the embodiment of an imaginary friend, a symbol of innocence, experience or even death, the balloon's significance is never explained, which is the reason for its overwhelming resonance. None of the children could have cared less about its "meaning". The adults? By the heartstopping climax, everyone I could see, myself included, was in tears.

At the National Theatre (0171-928 2252).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Cobra en het Stedelijk: exhibition of paintings and sculptures from the museum's collection by participants of the international art group CoBrA. The approximately 150 works on display span the period from 1948 to 1962. Included in the exhibition are 17 works by Corneille that were donated to the museum by the artist last year; to Sep 15

■ BASEL

EXHIBITION
Kunstmuseum Basel Tel: 41-61-2710228
● Canto d'Amore. Klassizistische Moderne in Musik und bildender Kunst 1914-1935: exhibition focusing on classicist modernism in music and visual arts. The display features more than 100 paintings, drawings and sculptures from international museum and private collections, as well as musical scores from the collection of the Paul Sacher Foundation. The show includes works by Picasso, Matisse, De Chirico, Dali, Bonnard, Maillol and Léger; to Aug 11

■ BREGENZ

CONCERT
Bregenzer Festspiele - Festspiel und Kongresshaus Tel: 43-5574-4920
● Nacht: by Haas. Concert performance by the Klangforum Wien with conductor Peter Rundel. Soloists include soprano Julie Moffat, mezzo-soprano Waltraud Mucher and tenor Helmut Wildhaber. Part of the Bregenzer Festspiele; 8pm; Aug 7, 9

■ BRUSSELS

EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078466
● L'art en résistance. Peintres allemands de l'entre-deux-guerres: exhibition of works by German artists, created between the wars. The display includes 200 paintings and drawings by artists such as Max Beckmann, Otto Dix and Georges Grosz, giving an overview of German art in this period. The works come from the collection of Marvin and Janet Fishman; to Sep 8

■ COPENHAGEN

EXHIBITION
The Royal Cast Collection Tel: 45-33 91 21 26
● Inspiration in Plaster. Antiquity and the Danish Golden Age: in the heydays of the Danish Golden Age (1820-1850), the art of painting played an active role in the shaping of bourgeois values and norms. The new norms included a change in the view of the human body. Nudity and sexuality were made into taboos, while "modesty" and "virtuousness" gained new importance. Nevertheless, the Royal Academy's collection of plaster casts of Greek and Roman nude statues was an important inspiration for the Golden Age artists. This exhibition focuses on the peculiar circumstance that the quasi-religious idolisation of the naked human body by a remote ancient culture could influence people's attitude to the naked body; to Aug 11

■ ESSEN

EXHIBITION
Museum Folkwang Tel: 49-201-8845314
● Pedro Cabrita Reis. Installationen und Zeichnungen: exhibition of works by the Portuguese artist Pedro Cabrita Reis. The display features approximately 15 installations and 20 large scale drawings, that were created in the past five years; to Aug 11

■ LONDON

CONCERT
St. Martin-in-the-Fields Church Tel: 44-171-9300089
● London Concert Sinfonia: with conductor John Landor perform works by Vivaldi, Pachelbel, Handel and Mozart; 7.30pm; Aug 8

EXHIBITION
British Museum Tel: 44-171-6361555
● 20th century Chinese Painting: Tradition and Innovation: a retrospective display of paintings using the Chinese media of ink and colour on paper from 1900 to the present day. The display includes more than 130 paintings drawn from collections in Hong Kong, Southeast Asia and North America; to Sep 29
Royal Academy of Arts Tel: 44-171-4397438
● Roger de Grey – Painter: an exhibition of the work of Sir Roger de Grey, President of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; to Sep 22

■ LOS ANGELES

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● *Landmark in Printing* Collecting: Masterpieces from the British Museum: the first exhibition of 100 prints selected exclusively from the British Museum's collection to travel to the United States. The show features works spanning the history of western printmaking from rare 15th century German woodcuts to American etchings and lithographs of the 20th century; to Sep 29

JAZZ & BLUES
Hollywood Bowl Tel: 1-213-850-2000
● American Airlines Jazz at the Bowl: featuring The Manhattan Transfer, The Shirley Horn Trio and The Turtle Island String Quartet; 7.30pm; Aug 7

■ LOS ANGELES-MALIBU

EXHIBITION
The J. Paul Getty Museum Tel: 1-310-459-7611
● Roger Fenton: The Oriental Suite: the first exhibition devoted to the little-known "Orientalist" series by the British photographer Roger Fenton (1819-1869). These 45 images by Fenton and some of his contemporaries in photography and watercolour reveal a fascination with the Islamic world of the Near East, which was seen and portrayed as mysterious, languorous and sensual; to Oct 6

■ NEW YORK

THEATRE
John Jay Theatre Tel: 1-212-721-6500
● Endgame: by Beckett. Part of The Beckett Festival, which features all 19 of Samuel Beckett's stage works, performed by the Gate Theatre of Dublin; 8pm; Aug 9, 10, 11 (also 4pm)

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Gaetano Pesce: a retrospective exhibition devoted to this artist, featuring furniture, objects and architectual projects; to Oct 7
Musée d'Orsay Tel: 33-1 40 49 48 14
● Photographies de paysages: exhibition featuring 40 19th century landscape photographs; to Sep 15

■ SALZBURG

CONCERT
Internationale Stiftung Mozarteum Tel: 43-662-873154
● Nicolai Gedda: accompanied by pianist David Lutz. The tenor performs songs by Schubert, Grieg, Dvorák and Rimsky-Korsakov. Part of the Salzburger Festspiele; 7.30pm; Aug 9

■ VIENNA

EXHIBITION
Museum für Angewandte Kunst Tel: 43-1-71136
● Light Materials. Textiles from the Biedermeier Period 1800-1850: exhibition featuring Biedermeier textiles from the holdings of the Museum für Angewandte Kunst. Also on display are engravings and drawings of fashion designs; to Jan 12

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Victim of a mass odyssey

ON THE BEATEN TRACK

Kerin Hope on the divisions over developing Mykonos, an island at breaking point

Mykonos is still the most popular Aegean island, thanks to its turquoise sea, distinctive whitewashed architecture and uninhibited nightlife. But the race back from the beach to watch the sunset from a bar or hotel balcony dispels its image as a place for lotus-eating.

At 7pm on a summer evening, the rush hour outside Mykonos town would be familiar to any city-dweller. The streets are jammed with shiny four-wheel drive vehicles and motorcycles, jostling their way past a fleet of elderly buses disgorging holidaymakers after a day of sunbathing.

Each year, the island's 7,000 residents are hosts to some 800,000 visitors; on most days in July and August more than 40,000 people are crammed into hotels and rented rooms. Several thousand additional tourists land daily from cruise ships. Most visitors are foreigners, but many Athenians also come to enjoy what they claim is Greece's only sophisticated resort.

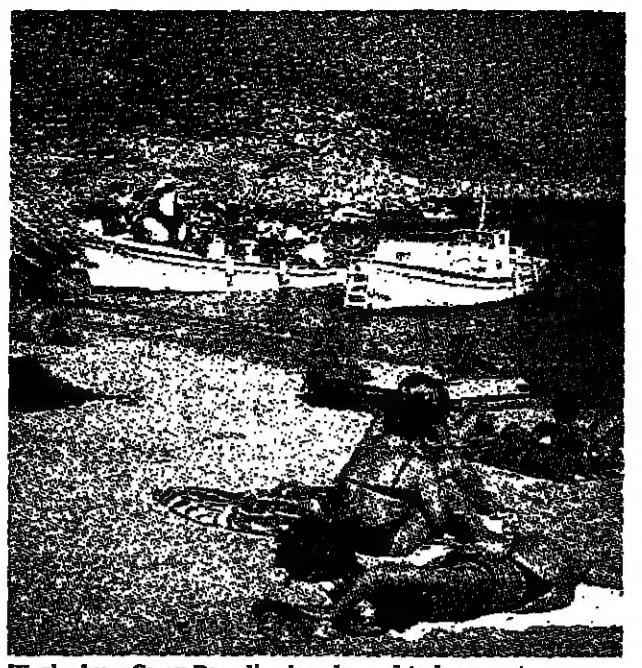
"We have a short tourist season," says Mr Andreas Fiorentinos, deputy mayor. "So everyone working here has to make their yearly income in the space of about four months."

But the influx brings the island's slender resources close to breaking point.

Power blackouts are frequent and the island suffers from a water shortage, with some hotels relying on supplies delivered by a tanker truck. Despite round-the-clock efforts to keep the town free of rubbish, many whitewashed alleys are grimy and littered with discarded beer cans.

"The season can't be extended even by a few weeks until we get the proper infrastructure," says Mr Fiorentinos. "What there is dates mainly from the 1950s."

The town council has pledged to make Mykonos a model of tourist development with the help of Dr9.5bn (£26m) in grants from the European Union. The EU provided money for two projects already completed: a digital telephone network and a sewage plant, one of only a handful of treatment facilities on Aegean islands.


Washed up: SuperParadise beach used to be remote

However, some year-round residents and visitors who discovered Mykonos as a jetsetters' haunt 25 years ago have objected. They argue that not only will the projects – including improved port and airport facilities and new roads – bring a substantial rise in visitors, they will make Mykonos indistinguishable from other Mediterranean resorts.

Mr Vangelis Pelekis, a teacher campaigning against the council's plans, says: "The things that make Mykonos special are already being eroded. Even the nudist beaches have umbrellas and loungers and there are more fast-food joints than tavernas. The new plans are on such a big scale that if they go ahead, this island will become as crowded and characterless as the Spanish Costas."

Mykonos once claimed a place in modern mythology as the island where Aristotle Onassis courted Jackie Kennedy, Yehudi Menuhin played the violin to friends on the terrace of his villa and several members of the Rolling Stones joined the nudists on a remote beach known as SuperParadise.

Mr Don Morgan, a New Yorker and regular visitor since his backpacking days in the 1970s, says: "The celebrities moved out as the package tourists moved in and made the place tawdry. There's still enough of the old Mykonos to keep you coming back, but I can't say for how much longer."

The airport runway has already been extended to take scheduled flights from European cities and a new terminal is planned. A second port – deep enough for cruise ships to dock – – is under construction. It will be linked with a group of beach hotels by a new road bypassing the town centre.

Tourism has certainly made the islanders wealthy: they claim to have the highest per capita income in Greece. Mykonos's annual foreign exchange earnings from tourism are estimated at about $800m. The average income on Mykonos is estimated at more than $50,000 a year compared with just over $10,000 for Greece as a whole. Moreover, tighter building restrictions than elsewhere in the Aegean have pushed up property prices to levels comparable with Mayfair or Manhattan. And in spite of high land prices, a building boom is under way, with new houses going up all over Mykonos. Most are financed out of income from Greece's flourishing underground economy, the islanders say. For a Greek doctor or lawyer, having a home there is indisputable proof of success.

The town council claims that better infrastructure is crucial if Mykonos is to keep its share of Greece's tourism market at a time when the number of visitors to the country is falling and tourists are complaining about inefficient airports and poor environmental controls.

But the islanders remain divided over how much development Mykonos needs – or can endure. The sharpest arguments concern a plan for a 200-berth marina costing Dr1.9bn. Because demand for yacht berths in the eastern Mediterranean far outstrips supply, Greece's tourism authorities are encouraging private investors to build large marinas. But construction of a marina on Mykonos has been postponed because so many residents objected to the proposed site, a sheltered cove close to the town with a spectacular view of neighbouring islands.

Mr Nicos Palaiologos, a Mykonian who spends six months a year on the island, sums up the dissidents' view: "It comes down to a question of greed. We're threatened with the destruction of a uniquely beautiful piece of Aegean landscape so that the Mykonians can go on making more money."

This is the second in a series on places changed by mass tourism

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Translation may be available for letters written in the main international languages.

Cultural questions are begged by trends in US education

From Mr Robert Oakeshott.

Sir, The evidence about comparative graduation results cited from Sol Stern's *The Invisible Miracle of Catholic Schools* by Michael Prowse ("Liberating schools", July 29) is truly stunning. It surely calls out for the widest circulation and systematic further research. We need to know how far the relative numbers in New York City – the 95 per cent graduation rate in the Catholic schools versus the 25 per cent in the public sector schools – are typical of those elsewhere in the US or reflect conditions more or less specific to Manhattan.

We also need to inquire what part of the difference in those New York results may be attributed to differences in what goes on in classrooms – including differences between teachers – and what part to factors outside the school gates, above all to the quality of home life and of parental attention. According to a crude rule of thumb that has received some currency in recent years, if genetic inheritance is held constant, then parenting may be expected to account on average for 80 per cent of any difference in school scores with the balance being dependent on in-school factors.

I simply don't know the empirical basis of that rule of thumb. Very likely the two percentage numbers could be successfully challenged. But we can surely accept the enormous importance of the quality of parenting and the home environment. The latter will surely have a different effect on the young depending on whether its culture is dominated by the Murdoch tabloids or the literature of the western Christian tradition. You don't have to be a paid up member of the Lord's Day Observance Society to accept the likelihood of that.

Robert Oakeshott,
Job Ownership,
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15 Wilton Road,
London SW1V 1LT, UK

Risk of firearms errors being repeated

From Mr David T. Frost.

Sir, Calling for a ban on handguns and further controls on shotguns prior to the report of Lord Cullen's inquiry risks the same errors as occurred after Hungerford ("Ban handguns", August 1). Then there was no inquiry and in consequence the legislation passed in 1988 was both inappropriate and ineffective.

Furthermore, implementation of the legislation by the police has shown significant shortcomings. In 1993 the report into the administration of firearms licensing by HM Inspector of Constabulary said some procedures "border on the discriminatory" and that the service being provided "varied between excellent and very inefficient". The evidence given to Lord Cullen suggests there were major shortcomings in central Scotland police procedures and that the Dunblane killer, Thomas Hamilton, was unfit to own firearms. A centralised and civilianised Firearms Licensing Authority would do much to improve matters.

Firearms legislation in the UK is already much stricter than in most other democracies and with minor changes and proper application should be adequate to the task.

David T. Frost,
4 Cherrycroft Drive,
Naphill,
High Wycombe, UK

Untenable position for manipulators

From Mr Christopher Gilbert.

Sir, Nymex President Patrick Thompson (Letters, July 30), raises important issues in relation to the regulatory regime under which the London Metal Exchange operates. He complains about the LME's clearing system, but, because of the peculiar features of that system, the LME is the most heavily regulated of the London futures markets.

So it is difficult to argue that the LME is under-regulated without implying a need for additional regulation throughout London.

A widely recognised problem is that cash market transactions on recognised futures exchanges remain unregulated. It is now clear that Mr Yasuo Hamanaka's copper trades were not the actions of an uncontrolled rogue trader but a deliberate and sustained market manipulation.

Since a manipulator operates on both the cash and futures markets, it is important to extend regulation to cash market transactions. More generally, the 1986 Financial Services Act, which was preoccupied by investor protection issues, failed explicitly to anticipate futures manipulation. As a consequence, regulation in the UK gives this a considerably lower priority than in the US. It is not even clear that futures manipulation is illegal in London.

However, individuals, often outside either UK or US jurisdiction, will always be tempted to manipulate prices to their advantage, and the issue is thus how exchanges may be assisted in their obligation to avoid false prices.

The most important change that the regulatory authorities could impose in London is position reporting. Reporting alerts the exchange, the regulators and other investors to the build-up of positions which have manipulatory potential. Publication of aggregated position reports allows journalists to comment directly on facts rather than circumspectly on rumours. Lack of reporting gives London an apparent competitive advantage over US markets, but only at the cost of manipulations which undermine this advantage.

The need for reporting should have been learnt after the 1985 tin collapse. The Securities and Investments Board should take this opportunity to make this a requirement of recognised futures exchanges.

Christopher Gilbert,
professor of applied econometrics,
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London E1 4NS, UK

Vote carries obligation

From Mr Martin Young.

Sir, Elections are due to take place in Bosnia this coming September. All Bosnians aged 18 or over, and who are listed in the 1991 census, are eligible to vote.

Many Bosnians have fled their homeland and now live safely in the west. Many have lost everything in Bosnia and have begun to make new lives in Britain and elsewhere.

Those Bosnians who believe they can never return home, or who simply do not wish to return to a war-devastated country, must not vote in the forthcoming Bosnian elections.

The agreement on elections in the Dayton Agreement states that "the exercise of a refugee's right to vote shall be interpreted as confirmation of his or her intention to return to Bosnia and Hercegovina" (Article IV).

Bosnian asylum seekers who vote in Bosnian elections can expect a quick return flight to Sarajevo.

Martin Young,
5 Silver Crescent,
London W4 5SF, UK

Ignorance

From Mr Gregor Ritchie.

Sir, I am grateful for the illumination provided by Iain Smith (Letters, July 31). As a rugby fan and also an Englishman, I am aware of the sometimes embarrassing high-handedness of the Rugby Football Union administrators. I am also aware that some people are arrogant, and others are not.

What in my ignorance I had not yet learned was that not only are the "English" (in which nation I must include myself) arrogant, but also ignorant of the fact. Years ago I played at a modest club level with Scots against Scots and once for a Scots side, but none of them ever proffered such illumination.

I will add this to my Book of Certain Knowledge to join such items as: the French are suave and eat garlic, Germans are always first at the pool-side, Scots have red hair and kilts, and the Welsh are born singing.

Gregor Ritchie,
The Beeches,
Dr Crouch's Road,
Eastcombe, Glos., UK

Judy Dempsey on German anger at Britain and Brussels

The bitter legacy of BSE

Mr Heinz Deselaer has had a miserable six months. The 57-year-old beef farmer from Geldern, in Germany's Rhineland, was all set to reap the benefits of a new cattle shed. He had intended to increase his herd and was expecting his beef sales, which amounted to DM1.2m in 1995, to rise sharply this year.

"But then came the BSE crisis," says Mr Deselaer, who has 350 bullocks on his 50-hectare farm. "It has been catastrophic. Prices have fallen from about DM6 a kilogram to DM4.80 (£2.10). And there are few signs of consumer confidence picking up."

Consumer confidence suffered a further blow yesterday when the German government said it would ask the European Commission's scientific veterinary committee to "review" its measures for combating bovine spongiform encephalopathy (BSE), or mad cow disease. This followed the report by British scientists disclosed last week which showed that BSE can be transmitted from cows to their calves.

Since the EU ban on British beef exports was imposed in March – when Britain announced there was a probable link between BSE and Creutzfeldt-Jakob Disease, the fatal human brain condition – German beef sales have fallen about one third compared with last year. And according to Germany's farmers' federation, beef farmers are receiving between DM200 and DM300 less for each animal sent to slaughter.

This sudden decline occurred in spite of the fact that Germany was one of the smallest EU importers of UK beef before the ban. Last year it imported a mere 200 tonnes worth £600,000, out of total UK exports to the EU of 191,000 tonnes worth £457m.

Increased prosperity and the rise of environmental activism have made Germans acutely sensitive to health hazards, and they are among the most cautious Europeans when it comes to the safety of the food they eat.

"We just don't see any marked improvement in consumer confidence," says Mr Jochen Borchert, Germany's agricultural minister. "Although the fall in consumption has halted, it may start again following the British scientists' report on cows passing on the disease to their calves."

The German government had already embarked on a big poster advertising campaign at supermarkets – and even at the little *Imbiss* takeaway stands – to convince consumers it was safe to eat beef. Last week, in response to the most recent fears of contamination spreading to calves, Mr Borchert said Germany beef was completely "BSE-free". He said: "There is nothing to fear."

But the German federal government faces an uphill task in its campaign. It is not only the ordinary consumer who is wary of eating beef; governments in the Länder, or states, have obdurately refused to accept that any beef, domestic or imported, is safe to consume.

The German farmers' view is that consumer confidence will never pick up if there is the slightest risk to the public's health

The Länder believe that neither London nor Brussels have done nearly enough to reassure consumers. Heading the criticism is the state of North-Rhine Westphalia, governed by a coalition of the opposition Social Democratic Party and the Greens. Yesterday, Ms Barbel Höhn, its environment and agriculture minister, said the EU should never have agreed to a partial lifting of the export ban on British beef products. "I think it was a mistake by the EU to respond to Britain's blockade policy [the UK's earlier policy of obstructing EU business] by relaxing its export ban, for example in regard to bull semen," Ms Höhn told German radio.

The EU agreed in June that a ban on exports of British beef and beef products would be lifted progressively as Britain started implementing a series of measures, including the slaughter of cattle thought to be most at risk of catching the disease.

"If the disease can be transmitted from generation to generation then semen is suspect again. We should seriously consider if we should not restore the stricter import ban that used to apply, or whether we should not extend it to milk products," added Ms Höhn.

Ms Höhn's criticism of Brussels is echoed by the other states, as well as Germany's regional farmers' associations. Mr Gerd Sonnenleitner, president of the Bavarian farmers' federation, spoke for many farmers when he said last Friday that the EU had "misled and covered up" about BSE. He added that his members would lose DM600m this year in sales. That same day, farmers from the north German state of Schleswig-Holstein burned the Union Flag in protest against the EU's plans to ease the world-wide ban on British beef exports. The farmers' view is that consumer confidence will never pick up if there is the slightest risk to the public's health.

This opposition from the Länder and the farmers' associations has created a dilemma for the German government. It will find it difficult to implement the Brussels ruling to ease the ban on some British beef exports because the Länder can block these measures through the Bundesrat, the upper house of the German parliament where the opposition Social Democrats are in the majority.

Government officials also fear that even if other EU states support Germany's call for a scientific review of measures taken so far by Brussels to combat BSE, Britain will revert to its policy of obstructionism. "The last thing we want is London blocking important decisions in the coming months," one senior government official said.

This leaves the German government with few options. It could, as German farmers are demanding, agree on compensation for beef farmers that could mute their opposition to Bonn and Brussels.

But as Mr Borchert himself admitted yesterday, compensation itself is not a recipe for restoring consumer confidence. "Trust is the key thing," said Mr Borchert. He realises that wooing back the health-conscious German shopper to beefsteaks will take more than a scientific review in Brussels.

COMMENT & ANALYSIS

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Doleful plan for US taxes

Years ago, the then Senator Bob Dole used to joke about a bus full of supply-siders driving over a cliff. That's the good news, he would say – the bad news is that there were two empty seats.

These days you would be forgiven for thinking that one of the empty seats belonged to Mr Dole himself. The economic plan he unveiled yesterday, trumpeted as a programme for revitalising the US economy, is less ambitious than the disastrous supply-side experiments of the 1980s.

Yet by endorsing the same logic – that one should "reduce taxes first, ask questions later" – the Republican presidential candidate has further dented his reputation for fiscal probity in the interests of reviving his campaign. He may yet come to wonder whether it was worth it.

Mr Dole promised a package of tax cuts costing $548bn over six years. There is something for everyone in the plan, including a phased, 15 per cent across-the-board cut in marginal personal tax rates, a halving of the capital gains tax, and the much-touted $500-per-child "family" tax credit. But he gave only a very rough idea of how these cuts could be made consistent with a pledge to balance the federal budget by 2002.

The costing of the programme rests on three very shaky assumptions. First, that faster economic growth and reduced tax evasion will between them net an extra $147bn in revenues over the period. Second, that President Dole and his fellow Republicans in Congress can come up with detailed proposals to match the vague promise of medium-term cuts in public spending, contained in the recent budget resolution. Third, that all this can be achieved without touching social security, Medicare and defence, which, together with interest payments, make up two-thirds of federal spending.

In Mr Dole's defence it should be said that his assumptions are no rosier than many of past campaigns, by both parties. President Bill Clinton has himself promised both a balanced budget and sizeable tax cuts, including the child tax credit which Mr Dole has now endorsed.

Mr Dole's cuts are larger, and will be much more regressive in their effects than Mr Clinton's because they include a capital gains tax cut and they award the same percentage cut in marginal rates to all taxpayers.

But both plans contain the same fiction, that the federal budget can be effectively overhauled – whether for "Republican" or "Democrat" reasons – without long-term reform of social security or Medicare. For his part Mr Dole is even promising to repeal Mr Clinton's very modest attempt at social security reform in his 1993 budget.

For all his economic good fortune and commanding lead in the polls, Mr Clinton has been strikingly reluctant to challenge the standard US political orthodoxies during the campaign. It is perhaps not surprising that Mr Dole, lagging far behind in the polls, should be equally timid. But, come November, it may be hard for voters to see why they should favour the wisdom of age and experience over the hotheadedness of youth.

Famine of digits

Telephone numbers sounded like old friends in the days when detectives at country house murders would say: "Operator, get me Fambridge 2323". But country exchanges have long since been swallowed up in a blizzard of digits.

Digits proliferated as automatic exchanges and computers drove down costs, creating an explosion of demand for more telephones, more services and now for mobile phones.

As a result the UK is running out of telephone numbers. To remedy this, all UK numbers were changed on "Phone Day" in 1995 by the addition of an extra digit. Little more than a year later, Oftel, the telecommunications regulator, is proposing another complete set of number changes to exploit this digit.

Customers, who will be required to change their lists, databases and stationary a second time, may justifiably ask why most of the important changes were not made in one step. One answer is that when British Telecom was privatised, the government wrongly left it with the responsibility to allocate numbers. Only in 1994 did Oftel rescue the arcane science of numbering from specialist engineers and subject it to the tests of consumer interests.

Its proposals, published yesterday, promise a much more orderly system in which different kinds of service will be readily identifiable and dialling codes can apply to much wider areas. This will, for example, allow London to be re-united under an 02 code after the division six years ago into inner (071) and outer (081) parts. This was unpopular at the time. Now it appears unnecessary. Better planning could have saved the consumer such grief.

Bosnia's test

As prospects for peace between Croats and Moslems in Mostar hang in the balance, much more is at stake than the future of one battered Balkan town. The behaviour of Mostar's hard-line Croat nationalists, who have baulked at accepting the result of municipal elections which gave their Moslem adversaries a majority, is a deadly threat to the reconciliation process in Bosnia as a whole. If they are allowed to consolidate their control of the city's western half, all participants in next month's Bosnia-wide election will be encouraged to think they can ignore results that do not suit them.

Mostar is also a test case for the external policies of the European Union. The oversight of the city's administration and policing has since 1994 been much the most ambitious task undertaken by the EU's embryonic common foreign and security policy. But the city's fate should not now be seen as a matter of shoring up EU prestige; still less should it become an object of US-European rivalry. On the contrary: a renewed Croat-Moslem conflict in Mostar can be staved off only if the US and its European allies co-operate energetically and in good faith.

The US has been more engaged than any of its allies in providing strategic and military advice to both Bosnia and Croatia.

This gives it considerable leverage over Croat-Moslem relations. In particular, it must lean hard on Croatia's President Franjo Tudjman, whose high-handed behaviour has often met a lenient response in Washington.

The reasons for pessimism about Mostar apply equally to Bosnia as a whole. While liberal westerners might like to believe otherwise, ethnically-based parties dominate all three of Bosnia's communities. Even among the Bosnian Moslems, a party which makes no secret of putting Moslem interests first has crowded out forces favouring inter-ethnic reconciliation.

This pre-eminence of ethnic parties cannot be reversed, but it can perhaps be mitigated. The international community should do everything it can to maximise the chances of Bosnia's struggling non-nationalist parties to win a substantial minority of votes in the election. The team headed by Mr Carl Bildt, the international mediator, has been working to open Bosnia's air waves to moderates on all sides. This effort needs moral and financial support from every western government.

Then the outside world must prepare for tough negotiations with the nationalist parties that will undoubtedly come out best on September 14. The most powerful lever is probably economic: the west can and should insist that its credits and reconstruction aid will be chanelled through the pan-Bosnian institutions that are supposed to be formed after the elections. The election victors will not like working together, but even in the bitterest moments of the war, some peculiar economic transactions – such as a thriving Serb-Croat trade in fuel – continued in secret.

In Mostar and Bosnia as a whole, that spirit of cynicism can perhaps be harnessed to the cause of peace. Indeed that may be the west's only hope.

Hot new product goes cold

The consumer electronics industry needs a boost from digital video discs but the launch has been dogged by disputes, says **Alice Rawsthorn**

Launches of new consumer electronics products are often problematic: the video recorder's debut triggered a war over rival technologies; and sales of highly publicised innovations such as digital audio tape and digital compact cassettes have been disappointing.

Digital video disc (DVD) was supposed to be different. Claiming to have learnt from their mistakes, the world's consumer electronics companies were determined to orchestrate a smooth launch for the discs, which look like audio CDs but can be used for storing data or playing films and music.

Yet only a few weeks before the scheduled debut of the first DVD entertainment systems in September, the plans for DVD are in tatters. The electronics industry is still struggling to clinch an agreement on copyright protection with the film and computing sectors. Last week Sony and Philips clashed openly with rival manufacturers over the licensing arrangements for the new technology.

"It's a mess," admits one senior electronics executive. "There's no point in us bringing out hardware, unless there's software for consumers to buy, but we don't know when that'll happen. And if ever there was a time when the industry needed a hot new product – it's now."

The final point is indisputable. Consumer electronics has historically been a cyclical industry and is now in a sluggish phase. Sales of the video recorders and audio CDs that drove its growth in the 1980s have reached maturity. Manufacturers have diversified into computer components, such as CD-Rom drives and PC screens, and developed some successful new products, notably widescreen televisions and digital camcorders.

Despite these innovations, personal computers and video games have taken a progressively higher share of household expenditure. And the companies that have dominated consumer electronics since the 1950s – Matsushita, Sony and Toshiba of Japan, France's Thomson and Philips of the Netherlands – face fierce competition from new rivals in emerging Asian economies. These groups, such as Samsung and LG of South Korea, are driving down prices worldwide and making it difficult for established manufacturers to move into fast-growing south-east Asian markets.

Mr Yoshiharu Izumi, electronics analyst at UBS Securities in Tokyo, says the industry badly needs "a successful new product" to unlock the vicious cycle of "competing for market share solely on price". Digital video disc promises to be such a product, and electronics manufacturers invested heavily in its development during the early 1990s.

One version of the disc will be used in DVD entertainment systems, which will work like highly sophisticated VCRs with superior sound, picture quality and facilities such as foreign language soundtracks. The electronics industry hopes these systems will have the same catalytic effect on the video market as audio CD did on hi-fi equipment sales in the 1980s.

The second version of the disc is DVD-Rom, which harnesses its memory capacity for data storage. DVD-Rom is not only expected to create a lucrative source of sales but should also help electronics manufacturers forge a closer rapport with the dynamic computing sector, as Sony has done with its highly successful PlayStation video game system.

However, the high hopes for DVD were jarred by an embarrassing row last summer when Sony and Philips clashed with the rest of the industry over technical specifications. At stake was corporate pride and the royalties payable to the owners of the patented technology. Sony and Philips are believed jointly to earn $500m (£322.6m) a year from audio CD patents.

This time they were forced to back down and accept a disc dominated by Toshiba technology as the industry standard, rather than risk a repetition of the VCR battle when Sony fought unsuccessfully to establish Betamax as the standard against Matsushita's VHS system. But the row still pushed back DVD's debut by three months to September this year.

The delay was inconvenient, as electronics companies prefer to introduce new products before the final quarter of the year, by far the busiest period, accounting for 40 per cent of retail sales. However, they still had enough time to get DVD into the shops before Christmas. Toshiba, Matsushita and Thomson pressed ahead with plans to launch the first DVD entertainment systems in September, with DVD-Rom scheduled to emerge early next year. Other companies, including Sony and Philips, planned their launches a few months later.

Despite the delay, the sales forecasts for DVD remained optimistic. BZW Securities in Tokyo predicted hardware and software sales of Y155bn (£94.5m) this year, rising to Y2,025bn by 2000, when 30,000 DVD-Rom units and 20,000 DVD entertainment systems would be sold.

But the electronics industry had yet to finalise negotiations with the US movie studios over copyright protection. The early signals were encouraging, not least because Hollywood was convinced that DVD was so superior to video cassettes that consumers would be tempted to buy favourite films on the new discs, rather than renting them on video. Hence the studios could replace their low margin video rental business with a profitable new software market.

But Hollywood also had serious concerns, specifically about the advanced DVD entertainment systems due to go on sale in 1998 with a recording facility. This raised the threat of pirates running off thousands of near-perfect digital copies of television broadcasts and illegally procured films.

The studios were determined to take a tough stance and by March this year the electronics industry, still anxious to meet its September release schedule, had agreed to various concessions, *notably that different formats of* the disc should be sold in various parts of the world.

The electronics and entertainment camps then ran into vehement opposition from the computer industry, which was simultaneously negotiating over DVD-Rom. If these computer discs are to be successful, they will need a flexible copying facility, something that Hollywood is unwilling to sanction for fear that it could be abused by film pirates.

The three camps have been locked in negotiations for months, but have so far failed to resolve the conflicting requirements of DVD and DVD-Rom. The electronics industry unveiled another compromise proposal late last month and is awaiting a response.

Matsushita, Thomson and Toshiba still hope to introduce DVD entertainment systems before the end of the year, although they accept that a September debut is now impossible. In theory they could introduce DVD without a copyright agreement on a limited range of software, but a "breakaway" launch might anger other manufacturers and imperil DVD's long-term prospects. "The success of the product would be more at risk if the three industries do not take the time to thoroughly resolve their differences," warns Mr Izumi of UBS.

The electronics industry's preferred scenario is that it secures the agreement of the entertainment and computing factions and proceeds towards an orderly launch. The chances of this were not improved by last week's news that Sony and Philips were breaking ranks by licensing their patents independently. This has infuriated the rest of the industry, which favours a collective licensing process.

Assuming that a compromise can be agreed on copyright protection, it should be possible to ship DVD hardware into stores fairly swiftly. Most manufacturers are already geared up to start production. But it may take longer for the Hollywood studios to deliver the software, as they are less well-prepared.

If the copyright discussions drag on much longer, it may prove impossible to introduce DVD before Christmas. Manufacturers would face a difficult choice between launching in the less buoyant spring period, or delaying DVD's debut for another year to hit the final quarter of 1997.

There are no other new electronics products in the pipeline with such strong sales potential as DVD entertainment systems. And a lengthy delay could damage the DVD-Rom's prospects. A consortium led by Japan's Fujitsu (including Sony and Philips) is now finalising plans to *introduce a more expensive* computer disc with twice as much memory capacity late next year.

To make matters worse, when the electronics companies have resolved the DVD copyright problem, they will face another battle over the same issue once they start talks with the music industry over the launch of the audio version of digital disc.

DVD: a script for the future

Market forecasts

· OBSERVER ·

Duff notes at the opera

■ The best symphony orchestra in the world? Possibly. But the Vienna Philharmonic wins no prizes on the political correctness score. For 150 years, the Vienna Phil has refused to allow women into its ranks. It shows no sign of slacking.

Last week, Rudolf Scholten, the Austrian minister for transportation and the arts, threatened to cancel the orchestra's public subsidies if it did not open up to female musicians.

The orchestra immediately bit back in anger against the "blackmailing". If the state forced them to take in women, the artistic standards of the orchestra, nay Austria's cultural integrity, would be under threat.

So what exactly have they got against the distaff side? Well, women on tour would distract the men and would cause friction, they claim. Male musicians would feel obliged to carry heavy instruments for their female colleagues, for instance.

The orchestra is registered as a private club, so the government's powers are limited to withdrawal of the annual state subsidy of Sch2.5m, received for playing every night at the State Opera in Vienna. The orchestra hardly depends on the subsidy anyway.

A decade ago, the Berlin Philharmonic fought a similar battle, and was ultimately forced to accept women by its chief conductor, Herbert von Karajan, who almost resigned over the issue.

Karajan is long dead – and the stubbornly independent Vienna Philharmonic has not been prepared to submit to a chief conductor for decades.

Quick cuts

■ The mood in Moscow grows more surreal by the day as Boris Yeltsin's inauguration approaches. The Kremlin fixers are now planning to cut Friday's historic ceremony from one hour to 30 minutes – presumably to save Yeltsin from excessive exertions.

The inauguration had promised to be a good bash. After all, it will be the first time in Russia's history as a sovereign nation that an elected leader will be sworn into office. Special anthems had been composed for the occasion and there were certain to be more than a few tots of chilled vodka.

However, Yeltsin has not been seen by the general public since being re-elected on July 3. The rumour-mill continues to work overtime, while Yeltsin's aides try to make out that he is simply suffering from "colossal tiredness". He is still in fine intellectual form, they attest.

At the same time, even the most pessimistic observers believe the inauguration is bound to go ahead. As cynical Russian journalists are fond of remarking in private, if not in print, there is nothing in the constitution to stop a dead man from becoming president.

Off colour

■ One foiled, at least. The British Home Office announced yesterday that due to the extraordinary powers of perception of its prison officers, an armed robber's attempt to escape from Parkhurst prison on the Isle of Wight had been thwarted.

It seems the inmate, serving a six-year sentence, spent two days colouring his body with a fluorescent yellow felt pen to make his warders think he had jaundice. He hoped that, once transfered to a hospital bed, he would find it easier to scurry down the corridor to freedom.

The plan failed at its most vulnerable point – when a prison officer looked into his cell and saw the inmate colouring his face. "He had carefully painted all his body – even his private parts," one warder said. "He had made such a good job of it. He was a very bright yellow indeed. He would probably have died from jaundice if he was suffering an attack so severe that it turned his skin that colour."

Sock it to 'em

■ Lufthansa, the German airline which lost height a bit in terms of its first-half earnings, is working its socks off to reduce costs. But, in the course of its drive to cut DM190m from the 1996 outlay, it is trying its hardest not to tread on toes.

One area coming under the spotlight is the the greyish-brownish towelling "tube sock" – that device handed out in pairs to first and business class passengers that dispenses with both toe and heel in the name of mid-air comfort.

Lufthansa has decided that its socks are "over-specified" – and that it can shave DM800,000 from the DM2m annual sock spend by reducing the 13 pages of instructions currently forwarded to the manufacturer to ensure the tube is correctly fashioned.

Not that customers will be expected to suffer the confines of their Gucci loafers for the duration of the journey. They will just be offered a rather less complexly crafted affair, which the airline insists will be equally kind on the toes.

A thought occurs. That *Wurst* stuff – a mite overspecified?

The Financial Times

100 years ago

Business Education

Switzerland, not content with being the "playground of Europe," seems to be devoting a good deal of money and attention to the education of its youths in sound commercial principles. Schools and societies are subsidised on certain conditions by the State, and purses are granted to poor and deserving scholars to enable them to continue their studies either at home or abroad. The students who go to other countries, we learn, are encouraged to enter banks or other houses of business, and, at the same time, to attend classes at the universities of such countries, and they are bound to furnish a half-yearly report of their work.

50 years ago

United States Prospect

The new American Price Control Bill appears to have satisfied nobody. It has not removed labour's fears of undue restriction in profit margins. On balance, it possibly finds a little more favour with industry than with labour because it is more flexible and will yield more readily to the powerful forces making for higher prices. President Truman, however, fears that it will yield too easily to these forces and has threatened to recall Congress.

FINANCIAL TIMES
Tuesday August 6 1996

Croats refuse to move on Mostar

EU on brink of abandoning effort to reunify Bosnian town

By Laura Silber in Belgrade

The European Union was last night on the brink of abandoning its two-year mission to reunify the town of Mostar after Croats refused to accept the results of city elections which they lost to their Bosnian Moslem rivals.

European mediators let a deadline of 5pm GMT yesterday pass without announcement after having extended an earlier deadline of midnight on Saturday as they scrambled to put together a compromise.

Mr Carl Bildt, the international mediator, said that the EU should not make any concessions on Mostar. "We are not in the deadline extension business," he said. "It is a matter of principle and we cannot give in. This will not be without consequences for Croatia."

Mr Franjo Tudjman, the Croatian president, and extremists in Mostar have rejected international pressure to join the city council after Moslems won a narrow victory in June elections. The Croats on Sunday submitted a compromise proposal, but it was not accepted by Moslem officials.

Both the EU and the US yesterday made plain their frustration with Croat intransigence. Mr Costas Verros, an EU spokesman, said: "The whole situation in Mostar influences the situation in Bosnia ... we regret the attitude of the Bosnian Croats."

The Croat boycott of the city council casts a pall over a Bosnia-wide poll set for September 14. Mr Bildt stressed that any EU concessions to the Croats "would be an open invitation to each party and everyone to renegotiate elections or refuse to implement the results". He made clear that he would take a dim view of an EU climbdown, saying withdrawal from Mostar would be preferable to accepting the Croat boycott. Negotiations were yesterday under way for the International Police Task Force (IPTF), created by the UN under the Dayton peace plan, to take over in Mostar.

A withdrawal would mean another defeat for efforts to unify Croats and Moslems in Mostar, which until 1994 was the scene of the most bitter fighting in the 10-month Croat war against the Moslems.

The Mostar stalemate has weakened the Moslem-Croat Federation which, according to the Dayton plan, covers 51 per cent of Bosnia, leaving the rest to the Bosnian Serbs.

"The federation is going backwards – with local tension building in a very worrying way. There has been no progress whatsoever in creating joint governing institutions," Mr Bildt said.

The stand-off would spell doom for the final phase of the Dayton accords after the September elections, when the parties are due to build joint governing institutions with the Bosnian Serbs.

Editorial Comment, Page 11

Dole plans $548bn in tax cuts

Continued from Page 1

ment to the US constitution to ensure that future administrations would be forced to eliminate the deficit.

Even before he spoke, White House officials condemned the proposals, drawing unflattering parallels with former President Ronald Reagan's tax plans in the 1980 election campaign. "Why should we try something that we tried in the early '80s that basically quadrupled the national debt?" asked Mr Leon Panetta, White House chief of staff.

Opinion polls show that cutting the federal deficit is a high priority for many American voters, who regularly voice concern at the burden of debt on future generations.

But polls also show that most voters are sceptical of politicians' promises – especially when they involve tax cuts. The Dole campaign debated until the very last moment how to overcome this cynicism, whether by announcing the repeal of the 1990 and 1993 tax increases or an across-the-board cut. Aides said yesterday a 15 per cent cut would yield the same tax rates as repealing those rises, but might be easier to sell politically.

Malaysia warns of import controls to tackle deficit

By James Kynge in Kuala Lumpur

The Malaysian government warned yesterday that import controls might be imposed if a government-sponsored voluntary restraint scheme failed to cut the country's current account deficit.

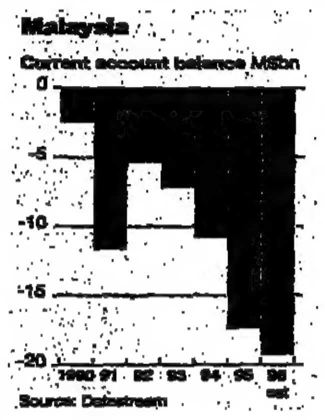
Dr Mahathir Mohamad, prime minister, said yesterday quotas and import permits might be introduced to curb imports of non-essential goods.

Increasing customs duties would be a better way of reducing imports than raising domestic interest rates, he said, because domestic rate rises could damp investment.

The Malaysian leader's warning comes as several east Asian countries, including Thailand and South Korea, are experiencing a slowdown in export growth rate this year after enjoying rapid expansion.

He did not indicate when such controls might be implemented, nor did he make clear which "non-essential" goods might be subject to import controls. Observers said expensive cars, clothes and alcohol would be the most likely candidates.

Dr Mahathir's statement contradicted previous assurances from Malaysian officials,



including Ms Rafidah Aziz, minister for international trade and industry, that controls would not be imposed on imports. Observers said Dr Mahathir's apparent change of heart reflected concern within the government over the current account deficit.

Last year, Malaysia's current account deficit touched M$17.8bn ($7.1bn), which one of the country's top think-tanks last week forecast would rise to M$19.2bn this year.

The main reason for the worsening trend was a recent decline in exports, triggered mainly by a slowdown in global demand for electronics goods. But while export growth is expected to slow, Malaysia's deficit in the services component of the current account is likely to continue to climb.

The current account deficit, which last year accounted for 8.8 per cent of gross national product, tends to apply downward pressure to the value of the ringgit. It indicates the country may be spending beyond its means and could run into debt difficulties.

There was, however, some brighter news yesterday as Malaysia recorded a trade surplus of M$238.2m in May, against a deficit of M$253.9m in April and a M$1.34bn deficit in May 1995.

● The share price of Tenaga Nasional, Malaysia's semi-privatised electricity utility, fell sharply yesterday after a near nationwide blackout at the weekend. Tenaga's shares, which account for nearly 10 per cent of the Malaysian stock market's capitalisation, closed down 4.41 per cent at M$9.75.

The blackout was an embarrassment for the Malaysian government, which last week launched a "Super-Corridor" designed to attract technology investment. The exact cause of the blackout has not yet been announced.

THE LEX COLUMN

Sedentary Swiss

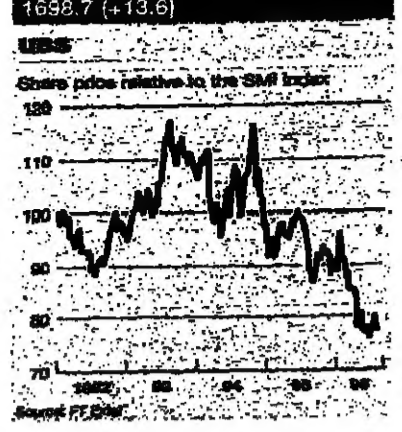
UBS has had a cracking first half. Buoyed by rising financial markets, profits shot ahead by a third to SFr1.1bn ($0.91bn). Yet the Swiss bank's return on equity remains stuck at a dismal 9 per cent. That compares with 23 per cent at HSBC, which also reported yesterday, and 30 per cent at Lloyds TSB.

One reason for the discrepancy is the poor state of the Swiss banking market. A 76 per cent increase in loan loss provisions recognises that bad debts have started spilling over from the property sector to the rest of industry. With the Swiss economy expected to remain weak, provisions will continue to climb. But UBS's rivals are tackling this problem with more vigour. Swiss Bank Corporation has reduced its domestic exposure by buying foreign investment banks such as SG Warburg. CS Holding last month renewed the attack on its Swiss cost base by announcing the merger of its Credit Suisse and Volksbank retail networks.

UBS's cautious approach puts it in danger of falling behind on both counts. Its cost-cutting at home has been too gentle so far. CS will command a greater market share in Switzerland with 30 per cent fewer branches following its reorganisation.

Overseas, UBS appears committed to organic expansion. That should prevent expensive mistakes, but the returns will be slow to come through. With such a conservative strategy, UBS certainly does not need all its capital. Handing some back to shareholders would boost their returns and its own.

FT-SE Eurotrack 200: 1698.7 (+13.6)



BA/USAir

Poor old British Airways. Nobody is terribly interested in the company's first quarter results; all they want to know about is the apparent collapse of BA's relationship with USAir. But BA investors need not fret too much about the debacle. For a start, whatever USAir says, the strength of a BA-USAir-American Airlines partnership gives all three partners a powerful incentive to join up. By making a fuss, USAir may simply be hoping to gain some negotiating leverage to get into the BA-American alliance on better terms.

Equally, USAir may genuinely believe it can find a better alliance elsewhere. But even so, losing the USAir alliance would not do too much damage to BA. If it had to sell its stake, it would almost certainly collect a profit on its written-down value. And although it would lose passengers coming from USAir flights – said to be worth $100m a year – BA would probably not find it difficult to attract another US partner, besides American, if it wanted.

All this makes the depressed performance of BA's share price curious. Since the plan to ally with American was announced, it has underperformed the market; on the basis of this year's expected earnings it is trading at a 20 per cent discount. True, the shares had a good run before the American deal was announced. And regulators will doubtless demand some hefty conditions as the price of their agreement. But to price in next to no upside for the alliance looks unduly gloomy.

HSBC

Yesterday's 4 per cent rise in HSBC's share price in response to a sparkling set of interim results was amply justified. Even stripping out fat one-off profits from asset sales, there was plenty of good news on the performance of the underlying business.

For a start, margins in Hong Kong rose, defying bearish expectations. Meanwhile in the UK, the sharp fall in Midland Bank's cost-income ratio is distinctly welcome. No wonder the air is thick with the sound of analysts increasing their forecasts.

The real question is whether they should upgrade their ratings as well. At a little under 10 times this year's expected earnings, the shares are trading at only a marginal premium over, say, Barclays. Arguably, such a premium is justified on the grounds of geographic spread alone, which should mean HSBC's earnings stream is of higher quality. But even if investors do not give it credit for that, the current multiple clearly gives HSBC precious little credit for its formidable presence in fast-growing Asia. True, HSBC's heavy dependence on Hong Kong justifies some risk premium. But so it should for Hang Seng Bank, in which HSBC has a 61 per cent stake; this does not prevent investors valuing it at 16 times this year's expected earnings. Such a sky-high rating for the whole of HSBC would be absurd. But consider that 55 per cent of HSBC's profits are generated in Asia, and the oddity of its current rating is plain.

UK cable television

It is easy to see why UK cable companies have become such an unfashionable investment. TeleWest Communications yesterday revealed it was losing 36 per cent of its customers a year, while only one in five households within its network has signed up. Given that £1.7bn will be tied up in the system by the end of this year, this points to an alarmingly low return on capital. So it is unsurprising that its shares have fallen 21 per cent since their November 1994 flotation.

Nonetheless, the outlook is undoubtedly improving. A range of new services will start to emerge next year, at a time when more than two-thirds of the network will have been built. The portability of telephone numbers should encourage telecoms users. The launch of a high-speed Internet service will broaden the appeal of the network. Meanwhile, video-on-demand should enable cable operators to make substantial inroads into the video rentals market.

There is also considerable scope for reducing operating costs and boosting negotiating muscle with the big programme suppliers through consolidation.

A friendly merger between Nynex and Telewest is an obvious step. While this would offer few immediate gains for shareholders, industry consolidation must improve performance in the long term.

The problem is that it would be some time before these benefits showed through in profit figures, and so far investors in the cable industry have been taught to take little on trust.

Chinese to purchase advanced military radars

Continued from Page 1

airborne early warning for its fighters and radar cover for its ships. However, it quickly made a decision after two US aircraft-carrier battle groups staged high-profile exercises in the Taiwan Strait during the recent Taiwanese presidential elections.

The improved radar cover will give China improved warning of any impending attack, but it will also allow it to deploy naval task groups more aggressively in the South China Sea.

As well as improving its radar capabilities, China is looking to update its Russian designed MiG 21 jets, dating from the 1960s, with new Russian Su 27 "Flanker" fighters. China has long-term plans to buy 72 Flankers, which rival the best western combat aircraft.

Racal's Searchwater radar is used by the Royal Air Force in its Nimrod maritime patrol aircraft, which hunt hostile submarines. The latest generation of the radar, Searchwater 2000, was also selected for the RAF's £1.8bn ($2.8bn) replacement maritime patrol aircraft which was ordered last month.

Searchwater is also used on Royal Navy Sea King helicopters, where they are used to give task groups a view of potential threats over the horizon. The radar will be manufactured at Racal Thorn's factory at Crawley in Sussex, in a contract thought to be worth £40m.

The increased capacity of the Chinese military is likely to be used by other south-east Asian countries to press the US to supply them with sophisticated weapons such as advanced medium-range air-to-air missiles. The US has so far refused to allow such weapons into the area for fear of starting a regional arms race.

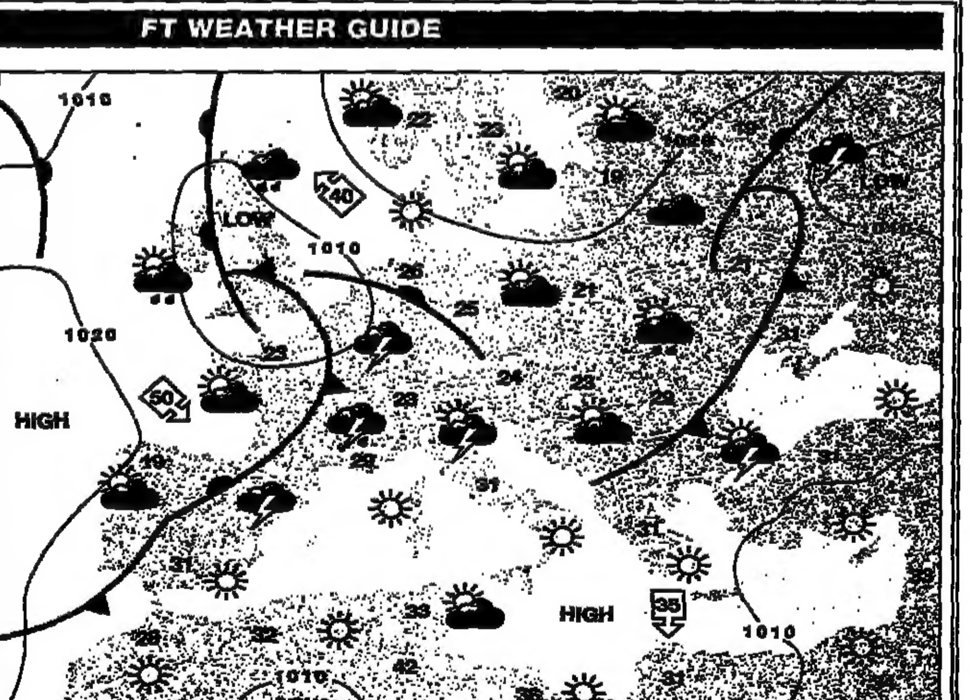
FT WEATHER GUIDE

Europe today

Scotland and England will have some thunderstorms. Northern Ireland will have localised showers and sunny spells.
In Scandinavia, it is expected to be sunny and dry. Temperatures will be around 20C.
Western Europe will have scattered thunderstorms — particularly in northern Spain, Portugal, France, the Alps, south-west Germany and later in the Benelux.
Poland and north-east Germany will remain dry with temperatures reaching 25C. Rain and thunderstorms are expected over Belarus, Ukraine and Russia. The Mediterranean will continue to be sunny and warm.

Five-day forecast

The UK will remain unsettled. Rain and thunderstorms will continue on Wednesday over western Europe. During the second half of the week, showers will move towards central and eastern Europe.
The Mediterranean will remain sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	thund	30	Caracas	thund	32
	Celsius		Belfast	rain	17	Cardiff	shower	19
Abu Dhabi	sun	43	Belgrade	fair	25	Casablanca	fair	24
Accra	cloudy	26	Berlin	fair	25	Chicago	fair	32
Algiers	fair	32	Bermuda	cloudy	29	Cologne	thund	24
Amsterdam	shower	25	Bogota	cloudy	17	Dakar	fair	31
Athens	sun	34	Bombay	thund	32	Dallas	fair	38
Atlanta	thund	33	Brussels	thund	24	Delhi	shower	30
B. Aires	cloudy	14	Budapest	fair	23	Dubai	sun	43
B.ham	rain	20	C.hagen	fair	20	Dublin	rain	17
Bangkok	thund	34	Cairo	sun	34	Dubrovnik	sun	28
Barcelona	sun	27	Cape Town	fair	16	Edinburgh	thund	19

Faro	fair	28	Madrid	fair	29	Rangoon	thund	31
Frankfurt	thund	24	Majorca	sun	30	Reykjavik	cloudy	12
Geneva	thund	24	Malta	sun	33	Rio	sun	25
Gibraltar	sun	28	Manchester	rain	21	Rome	sun	31
Glasgow	rain	19	Manila	shower	33	S. Frsco	sun	27
Hamburg	fair	25	Melbourne	shower	15	Seoul	fair	32
Helsinki	fair	20	Mexico City	fair	21	Singapore	rain	32
Hong Kong	rain	30	Miami	fair	32	Stockholm	fair	23
Honolulu	fair	32	Milan	thund	25	Strasbourg	thund	24
Istanbul	sun	31	Montreal	fair	31	Sydney	fair	20
Jakarta	fair	32	Moscow	shower	19	Tangier	fair	25
Jersey	windy	18	Munich	thund	24	Tel Aviv	fair	33
Karachi	fair	32	Nairobi	fair	28	Tokyo	shower	28
Kuwait	sun	44	Naples	sun	32	Toronto	fair	31
L. Angeles	fair	24	Nassau	shower	32	Vancouver	fair	21
Las Palmas	sun	28	New York	fair	31	Venice	fair	25
Lima	cloudy	19	Nice	sun	28	Vienna	fair	24
Lisbon	fair	24	Nicosia	sun	37	Warsaw	fair	24
London	thund	22	Oslo	cloudy	22	Washington	fair	32
Lux.bourg	thund	23	Paris	thund	24	Wellington	fair	12
Lyon	thund	25	Perth	fair	17	Winnipeg	shower	27
Madeira	fair	28	Prague	fair	22	Zurich	thund	22